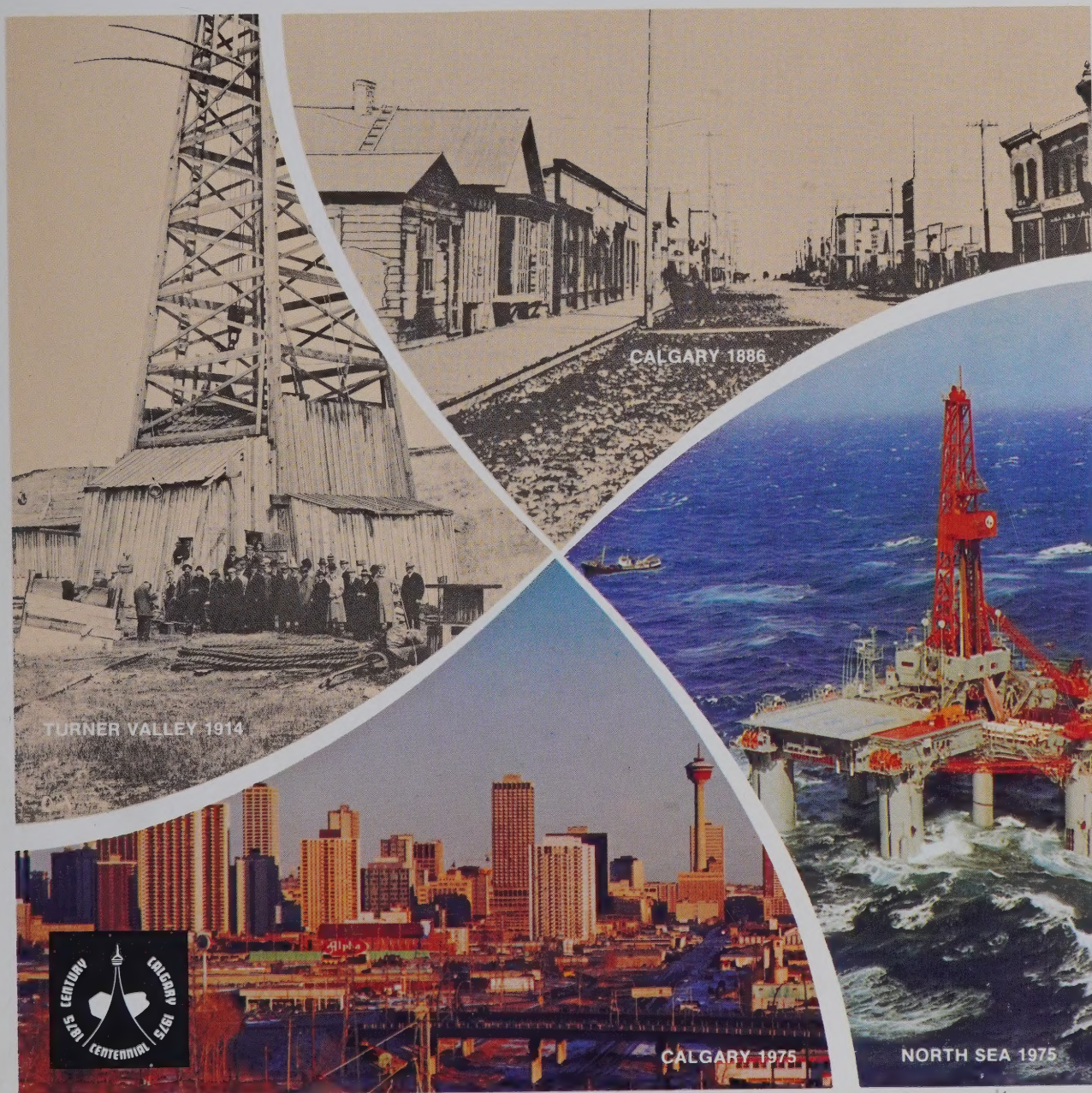


# HOME OIL



HOME OIL COMPANY LIMITED    ANNUAL REPORT 1974



# HOME OIL COMPANY LIMITED

## 46th Annual Report to the Shareholders

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### THE COVER

In 1975 the City of Calgary is celebrating the one hundredth anniversary of its founding. Because of its long association with, and involvement in, Calgary's business and community life, Home Oil considers it appropriate to accord recognition to this historic event on the cover of its forty-sixth Annual Report. The view of 8th Avenue taken in 1886 contrasts vividly with the high-rise buildings which now make up the City's downtown core. Calgary's growth and prosperity over the years have been closely linked to the rise of the petroleum industry in Western Canada. Many of the companies, Home included, which owe their beginnings to the oil boom in Alberta and which make their headquarters in Calgary, have now expanded their search for oil and gas overseas using the most modern technology and equipment. The huge ocean-going rigs which now ply their trade in areas like the North Sea are a far cry from the wooden structure which drilled the famous Dingman No. 1 well in Turner Valley in 1914. As one of Canada's oldest and largest independents, Home Oil is proud to be a part of Calgary's history.

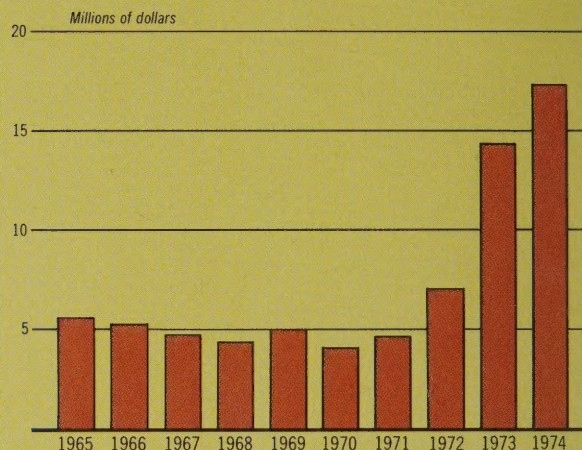
### SHAREHOLDERS' MEETING

The annual and special general meeting of shareholders will be held at 11 a.m. April 22, 1975 at the head office of the Company in Calgary, Alberta.

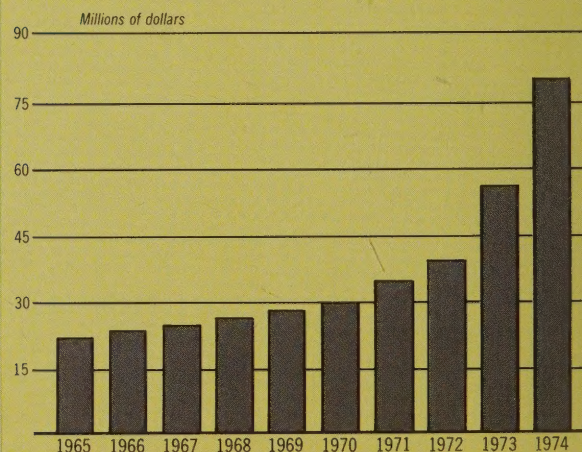
### SUPPLEMENTARY INFORMATION

The Company files annually with the United States Securities and Exchange Commission, a report on its operations known as the Annual Report on Form 10-K. The Company also publishes annually a book entitled "Supplementary Operating and Financial Information." Copies of this book and the SEC Form 10-K are available free of charge upon written request to: B. F. MacNeill, Comptroller, Home Oil Company Limited, 304 Sixth Avenue S.W., Calgary, Alberta T2P 0R4.

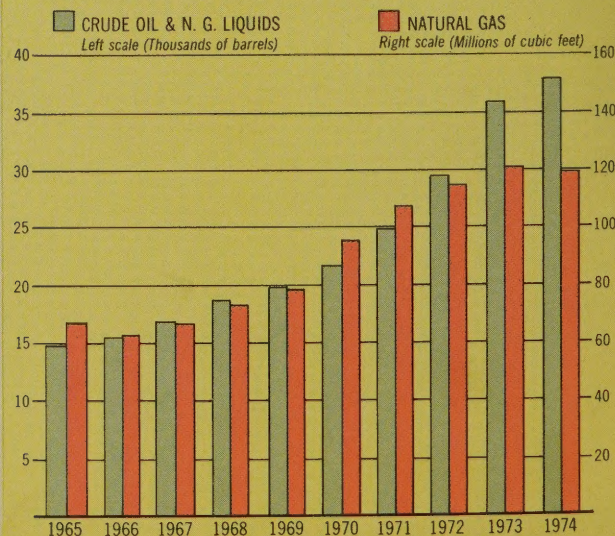
### NET EARNINGS (before extraordinary items)



### GROSS REVENUE



### AVERAGE DAILY PRODUCTION

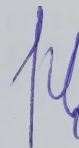




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# INTERIM REPORT TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 1974



Home Oil Company  
Limited

304 - SIXTH AVENUE S.W.,  
CALGARY, ALBERTA  
T2P 0R4

FEBRUARY 25, 1975

# HOME OIL COMPANY LIMITED

The audited Consolidated Statement of Earnings for the years ended December 31, 1973 and 1974, which will appear in the Company's annual report is as follows:

	1974	1973
<b>REVENUE</b>		
Operating revenue . . . . .	\$74,122,000	\$51,503,000
Investment income . . . . .	5,398,000	4,511,000
	<u>\$79,520,000</u>	<u>\$56,014,000</u>
<b>EXPENSE</b>		
Operating . . . . .	10,095,000	8,161,000
General and administrative . . . . .	5,933,000	4,237,000
Depletion . . . . .	17,604,000	12,846,000
Depreciation . . . . .	2,913,000	2,197,000
Interest and expense on long-term debt . . . . .	3,757,000	3,681,000
Other interest . . . . .	2,869,000	130,000
Minority interest . . . . .	(174,000)	67,000
	<u>42,997,000</u>	<u>31,319,000</u>
Net earnings before provision for income taxes . . . . .	<u>36,523,000</u>	<u>24,695,000</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current . . . . .	11,761,000	6,786,000
Deferred . . . . .	7,344,000	3,397,000
	<u>19,105,000</u>	<u>10,183,000</u>
<b>NET EARNINGS</b> before extraordinary item. . . . .	<u>17,418,000</u>	<u>14,512,000</u>
<b>EXTRAORDINARY ITEM</b>		
Loss on sale of investments . . . . .	3,902,000	295,000
<b>NET EARNINGS</b> . . . . .	<u>\$13,516,000</u>	<u>\$14,217,000</u>
<b>BASIC AND FULLY DILUTED EARNINGS PER SHARE</b>		
Net earnings before extraordinary item . . . . .	\$ 2.14	\$ 1.90
Extraordinary item . . . . .	(.48)	(.04)
<b>NET EARNINGS</b> . . . . .	<u>\$ 1.66</u>	<u>\$ 1.86</u>

The provision for income taxes includes the effect of the Government of Canada's Budget proposals of November 18, 1974 and the respective Alberta and Saskatchewan Governments' incentive plans for the oil and gas industry, none of which has been enacted into legislation. The net effect of these plans resulted in a reduction in net earnings of \$4,600,000 (\$0.56 per share) and was taken into account in the fourth quarter of 1974. Where appropriate the proposed measures have been applied retroactively to May, 1974.

Net cash flow from operations amounted to \$43,411,000 or \$5.33 per share in 1974 as compared with \$31,845,000 or \$4.18 per share in 1973.

The annual report, which will be mailed at the end of March will contain audited financial statements together with details of the results of the operations of Home Oil Company Limited for the year 1974.



R. F. Phillips  
President and  
Chief Executive Officer

Calgary, Alberta  
February 25, 1975



AR14

The Company's exploratory drilling program in the United States is centered in Texas, Oklahoma and Wyoming. An indicated gas discovery in Carbon County, Wyoming flowed at a rate of 4.8 MMCF per day. Follow-up drilling commenced in October, 1974. Further drilling was undertaken in Natrona County, Wyoming to evaluate the potential of the Company's recently announced oil well. In addition drilling is contemplated in the Gulf Coast areas, offshore Louisiana and Texas. A group, of which Home is a partner, obtained a jack-up rig to drill a maximum of 3 wells on blocks Offshore Texas and Louisiana during December and January in exchange for a financial contribution to a party drilling a well on Block 594. This well will evaluate another structure partially underlying Block 595, Offshore Louisiana.

Construction of a 21 slot production platform has commenced for location on Block 595 in the West Cameron area in the Gulf of Mexico. It is anticipated that the platform will be on production in mid 1976.

The Company's working capital deficiency at September 30, 1974 amounted to \$33,805,000. Subsequent to September 30, 1974, Home completed a 7 year production loan of \$15,000,000 and is negotiating with private lenders for an additional \$15,000,000 repayable over a 10 year period.

The Federal Government has indicated that its new Budget proposals will be announced on November 18, 1974. It is to be hoped that these proposals will be a step forward in resolving the intergovernmental dispute over taxation of the resource industry. At the same time the Government must be cognizant of the need for taxation policies that encourage exploration and recognize that adequate earnings are also an essential aspect of the exploration process.

NOVEMBER 14, 1974

Calgary, Alberta

R. F. Phillips  
President and  
Chief Executive Officer

HOME OIL COMPANY LIMITED

304 - 6th Avenue S.W.,

Calgary, Alberta, Canada T2P 0R4

THE GLOBE AND MAIL  
ATTN: FINANCIAL EDITOR  
140 KING STREET WEST  
TORONTO ONTARIO

12 1

# INTERIM REPORT TO SHAREHOLDERS

FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 1974

## Home Oil Company Limited

304 - SIXTH AVENUE S.W.,  
CALGARY, ALBERTA  
T2P 0R4

NOVEMBER 14, 1974



## TO THE SHAREHOLDERS

Gross revenue for the nine month period in 1974 amounted to \$55,390,000 compared to \$39,506,000 in 1973. Net earnings before extraordinary item amounted to \$16,117,000 or \$1.98 per share as compared to \$9,981,000 or \$1.34 for the same period last year. The increase in net earnings results basically from increased prices for crude oil and natural gas. The extraordinary loss of \$3,752,000 resulted primarily from the previously reported sale of 169,300 common shares of Atlantic Richfield Company. The consolidated financial statements include the results of Scurry-Rainbow Oil Limited from June 1, 1974.

Cash flow amounted to \$34,232,000 or \$4.20 per share compared to \$21,731,000 or \$2.91 per share for the previous nine month period.

Average daily production of crude oil and natural gas liquids before deduction of royalties and excluding production of Scurry-Rainbow amounted to 33,400 barrels per day compared to 35,500 barrels per day during the same period of 1973. Natural gas sales dropped to 114,100 Mcf per day compared to 121,100 Mcf per day for the similar period in 1973. The lower production levels resulted primarily from reduced demand for Alberta oil in the U.S. Export Market.

Scurry-Rainbow's average daily production of crude oil and natural gas liquids before deduction of royalties amounted to 8,400 barrels per day and its natural gas sales averaged 13,000 Mcf per day for the first nine months of 1974.

Virtually all of Home's consolidated gas purchase contracts have now been renegotiated. Effective November 1, 1974 the weighted average for all consolidated gas sales will increase to approximately 50.4¢ per Mcf from an average price of 22.7¢ per Mcf in 1974.

Home and Scurry participated in the drilling of 110 exploratory wells resulting in 13 oil wells and 27 gas wells.

Home Oil's total acreage interests as at September 30, 1974 amounted to 24,239,249 gross acres, or 7,481,147 net acres. Scurry's land holdings amounted to 13,332,376 gross acres or 5,019,196 net acres of which 4,852,861 net acres were oil and gas properties and the balance of 166,335 net acres were mineral properties.

Home's North Sea well, 210/19, drilled to a depth of 8,698 feet, located a substantial thickness of reservoir sand without encountering significant hydrocarbon shows. The possibility of additional drilling on the block will be considered upon completion of the evaluation of information gained from the well.

CONSOLIDATED STATEMENT  
OF EARNINGS

For the Nine Months ended September 30, 1974

(\$000's omitted)

	1974	1973
<b>REVENUE</b>	(NOTE A)	
Operating revenue	\$ 51,786	\$ 36,057
Investment income	3,604	3,449
	<u>\$5,390</u>	<u>\$9,506</u>
<b>EXPENSE</b>		
Operating	5,634	5,722
General and administrative	4,295	3,080
Depreciation	11,800	9,177
Interest and expense on	2,111	1,620
long-term debt	2,365	3,083
Other interest	1,955	36
Minority interest	34	47
	<u>28,194</u>	<u>22,765</u>
Net earnings before income taxes	27,196	16,741
<b>PROVISION FOR INCOME TAXES (NOTE B)</b>		
Current	5,821	4,776
Deferred	5,258	1,984
	<u>11,079</u>	<u>6,760</u>
<b>NET EARNINGS before extraordinary item</b>	16,117	9,981
<b>EXTRAORDINARY ITEM</b>		
Loss on sale of investments	3,752	295
	<u>\$ 12,365</u>	<u>\$ 9,686</u>
<b>NET EARNINGS</b>		
<b>BASIC EARNINGS PER SHARE</b>		
Before extraordinary item	\$ 1.98	\$ 1.34
After extraordinary item	\$ 1.52	\$ 1.30
<b>FULLY DILUTED EARNINGS PER SHARE</b>		
Before extraordinary item	\$ 1.96	\$ 1.33
After extraordinary item	\$ 1.51	\$ 1.29
<b>CASH FLOW Per Share</b>	\$ 34,232	\$ 21,731
	4.20	2.91

## NOTE A

Results of Scurry-Rainbow Oil Limited have been incorporated in the Company's consolidated accounts from June 1, 1974, the date of acquisition. The combination had the effect of increasing third quarter revenue by \$4,175,000 and decreasing net earnings by \$83,000 (\$0.01 per share). There is no goodwill recorded as a result of the combination which was accounted for by the purchase method. The excess of cost over the carrying value of the net assets acquired amounted to \$34,587,000 and was assigned to petroleum and natural gas leases, mining properties and real estate properties. The excess cost relating to petroleum and natural gas leases will be amortized to income on the unit of production method based on petroleum reserves. Excess cost relating to mineral properties is currently being deferred pending future production and will be amortized at that time on the basis of mineral reserves. Excess cost relating to real estate properties will be deferred unless the respective properties are disposed of.

## NOTE B

Taxes payable are computed on the basis of existing tax legislation.

CONSOLIDATED STATEMENT  
OF SOURCE AND USE OF FUNDS

For the Nine Months ended September 30, 1974

(\$000's omitted)

	1974	1973
<b>FUNDS WERE OBTAINED FROM</b>		
Net earnings before non-cash charges and credits	\$ 34,232	\$ 21,731
Issuance of capital stock	59	431
Sale of investments	15,991	3,191
Long Term Borrowings - Net	11,600	-
	<u>\$ 61,882</u>	<u>\$ 25,353</u>
<b>FUNDS WERE USED FOR</b>		
Property, plant and equipment	\$ 38,870	\$ 16,221
Acquisition of Scurry-Rainbow Oil Limited shares	49,172	5,184
Repayment of long-term debt	7,467	7,239
Net increase in other non-current assets	526	866
Dividends	3,054	2,847
	<u>99,089</u>	<u>32,357</u>
Decrease in working capital	37,207	7,004
	<u>\$ 61,882</u>	<u>\$ 25,353</u>
<b>MAJOR BALANCE SHEET ITEMS (\$000's omitted)</b>		
	<b>SEPTEMBER 30</b>	
	1974	1973
Working capital (deficiency)	\$ (33,805)	\$ (2,378)
Investments	55,511	73,127
Property, plant and equipment-net	285,896	174,249
Long-term debt (less current maturities)	54,140	34,861
Gas sales prepayment	-	1,506
Accumulated tax reduction applicable to future years	45,158	30,521
Minority interest	13,199	327
Capital and surplus	197,110	179,856



## HIGHLIGHTS

FINANCIAL	1974	1973
Gross Operating Revenue . . . . .	\$ 79,520,000	\$ 56,014,000
Net Earnings Before Extraordinary Item . . . . .	\$ 17,418,000	\$ 14,512,000
Per Share . . . . .	\$ 2.14	\$ 1.90
Net Earnings After Extraordinary Item . . . . .	\$ 13,516,000	\$ 14,217,000
Per Share . . . . .	\$ 1.66	\$ 1.86
Dividends Declared . . . . .	\$ 4,072,000	\$ 3,875,000
Per Class A Share . . . . .	\$ 0.50	\$ 0.50
Per Class B Share . . . . .	\$ 0.50	\$ 0.50
Working Capital at December 31 . . . . .	\$ (16,884,000)	\$ (2,736,000)
Exploration Expenditures . . . . .	\$ 31,445,000	\$ 17,720,000
Development Expenditures . . . . .	\$ 3,745,000	\$ 3,478,000
OPERATING*		
Crude Oil Production — Barrels Per Day . . . . .	33,714	31,849
Natural Gas Liquids Production — Barrels Per Day . . . . .	4,089	4,181
Natural Gas Sales — Million Cubic Feet Per Day . . . . .	119.5	121.5
Sulphur Sales — Long Tons . . . . .	54,886	48,884
Pipeline Throughputs		
Federated Pipe Lines Ltd. — Barrels Per Day . . . . .	314,524	330,420
Cremona Pipeline Division — Barrels Per Day . . . . .	46,517	45,817
Proven Developed Reserves at December 31		
Crude Oil and Natural Gas Liquids — Barrels . . . . .	166,593,000	155,701,000
Natural Gas — Thousand Cubic Feet . . . . .	810,822,000	726,228,000
Sulphur — Long Tons . . . . .	2,154,000	1,663,000
Exploration Acreage at December 31		
Gross Acres . . . . .	43,247,000	27,651,000
Net Acres . . . . .	11,797,000	7,340,000

\* Daily Production and Proven Reserves shown as Company's share before deduction of royalties.

## OTHER HIGHLIGHTS

- Acquisition of control of Scurry-Rainbow Oil Limited.
- Record expenditures for property, plant and equipment of \$44,283,000.
- \$41,250,000 financing completed.
- Sale of investments realized \$19.6 million.
- Purchase of offshore leases in the Gulf of Mexico.
- Opening of exploration office in Houston, Texas.
- First crude oil production in the United States.







Senior Executives: Left to right, R. F. Phillips, President and Chief Executive Officer; R. B. Coleman, Senior Vice-President, Secretary and General Counsel; A. G. S. Griffin, Chairman of the Board; M. P. Paulson, Executive Vice-President and General Manager.

## REPORT TO THE SHAREHOLDERS

Throughout 1974 the industry continued to be plagued by inflation and other economic and political uncertainties. Although prices for oil and gas reached unprecedented levels, the bulk of the price increments was captured by governments through increased royalties and higher taxation. In spite of these unfavourable circumstances, your Company had an active year and, through expansion of operations in Canada and the United States and diversification into new ventures, established a foundation which offers promise for future growth.

Gross revenue for 1974 reached an all time high of \$79,520,000 while the net flow of funds from operations also reached a record level of \$43,411,000. Net earnings, before an extraordinary item, achieved a new high of \$17,418,000 in spite of a substantially increased tax burden. The Federal Budget, which was retroactive to May 6, 1974, less certain ameliorating features of the recently announced Alberta Petroleum Exploration Plan, resulted in increased taxes payable by your Company for 1974 of \$4,600,000. In the determination of net income, the petroleum industry is faced with a problem common to industry in general. Net profits, while substantially higher than in previous years, are somewhat illusory as they are based upon historical costs rather than the current costs of the assets being depleted. The petroleum industry, in particular, should be allowed to generate sufficient profits to meet the substantially higher costs that must be incurred to replace the reserves of oil and gas produced.



In 1974 production of crude oil in all of our major fields was lower than in the previous year. While this was caused, in part, by natural decline in some of the older fields, the decrease was primarily due to a reduction in the quantity of oil exported to the United States brought about by the Federal Government's imposition of the export tax. This tax, initially imposed during the latter part of 1973 at 40 cents per barrel, will reach a level of \$5.50 per barrel for light and medium crude on March 1, 1975. As a result of the export levy Canadian oil is overpriced in certain United States markets. Further cutbacks in production can be expected in 1975 following the implementation of the National Energy Board's recommendation that crude exports to the United States be restricted to 800,000 barrels per day effective January 1 and the Government's proposal for a further reduction to 650,000 barrels per day in July 1975.

Expenditures in 1974 for exploration and development totalled \$35,190,000, considerably above the level of recent years. In the United States, where there are a number of economically attractive prospects, Home now holds interests in seven blocks offshore Texas, Louisiana and Florida. Block 595, offshore Louisiana, was drilled in 1974 and yielded a significant wet gas discovery. Further drilling on this block is planned in 1975 and a production platform is being constructed with production scheduled for 1976. Important land acquisitions were made onshore United States in 1974 and the Company participated in encouraging oil and gas discoveries in Wyoming, Oklahoma and Texas. The Company has established an exploration office in Houston, Texas, to manage its United States activities.

In June, 1974 Home presented a proposal to the Alberta Energy Resources Conservation Board for the development of its Athabasca Oil Sands lease. At that time the Company was endeavouring to form a Canadian consortium to invest in the project. Since then, however, the Company has experienced the same problems as those facing the Syncrude project — rising costs due to inflation and uncertainties relating to taxation and future crude prices. In addition, the combination of increased provincial royalties and federal taxes has left the Company without the funds needed to invest in the project. Since Home could not see its own way clear to invest in the Oil Sands in these circumstances, it was decided not to proceed with the formation of the consortium. It is becoming increasingly difficult for the private sector to risk the capital required in the light of rapidly escalating costs and policy uncertainties — problems which are beyond the control of a developer of an oil sands project. These problems can only be resolved by governmental policies designed to make such projects sufficiently profitable to attract the huge amount of capital necessary for their development. Such projects are vital to offsetting the impending oil shortages facing Canada — the only question is the extent to which the investment will be made by governments or by private capital.

A major corporate change took place during the year when Home increased its holding in Scurry-Rainbow Oil Limited to 85.6% through an offer to Scurry's shareholders. Total cost of the investment, including the shares purchased during 1973, was \$59.3 million. Scurry has crude oil and natural gas production in Western Canada, exploration acreage in Canada, the United States and onshore and offshore United Kingdom, coal mining properties in Alberta and British Columbia, a silver mining property in Mexico which is expected to be on production in late 1975 and a significant potash interest in Saskatchewan. Home's financial statements include Scurry's results from June 1, 1974.

A world-wide shortage of coal for steelmaking and higher fuel prices have created unprecedented demand and prices for Western Canadian coals. Greatly expanded markets and improved prices should lead to large scale utilization of Western Canadian coal resources,



subject to resolution of ecological and other problems. As a consequence, opportunities for development of Scurry's large coal reserves at Elk River in southeastern British Columbia and at Blairmore in southwestern Alberta are promising.

Several important financial transactions were undertaken during 1974 and early 1975 which will virtually eliminate the short-term indebtedness of the Company, incurred primarily for the acquisition of Scurry-Rainbow, and place it in a strong financial position. These transactions are dealt with more fully in the Financial Review section.

Based on industry averages an Alberta producer now nets about \$1.48, after operating costs, royalty and income taxes, from each barrel of crude marketed either in Canada at the pegged well-head price of \$6.50 per barrel, or in the United States where it presently realizes approximately \$11.70 per barrel. Out of the net proceeds of \$1.48 the producer must provide for administration costs, interest on and repayment of borrowed funds, a return to the shareholders and funds for the replacement of the reserves being depleted through production. The cost of replacing these reserves is, itself, far in excess of \$1.48 per barrel. While our taxation burden can be lightened to some extent through eligible exploration expenditures, in fact the balance of revenues we have left for this purpose is altogether inadequate to sustain a reasonable exploration programme.

The most devastating of the new Federal taxation measures is the proposal not to allow as a deduction in computing taxable income, royalties and other payments on petroleum production paid or deemed to have been paid to governments. It is important for shareholders and indeed, for the general public, to be aware that the petroleum industry is thus paying taxes on money that it does not receive. Of only slightly less significance are the proposals relating to depletion. At present levels of provincial royalties, the new method of taxation has substantially reduced your Company's cash flow and earnings for 1974. It will have an even more serious impact in 1975 and subsequent years when we will have exhausted our pool of eligible expenditures accumulated in prior years and will be unable to claim maximum depletion. During 1974 your Company paid to governments at various levels in Canada an estimated \$31,300,000 in royalties, taxes and other payments related to petroleum production and a further amount of \$17,115,000 was incurred for income taxes. As a consequence of these punitive tax measures and the resultant reduction in our cash flow, Home announced that it had been obliged to reduce its estimated exploration expenditures for 1975 to approximately one-half the amount originally intended. Other companies announced similar cutbacks in their capital spending.

More recently the Provinces of Alberta and Saskatchewan have presented proposals to relieve the industry of a portion of the taxation burden. Home's cash flow and earnings for 1974 were helped by certain of the Alberta proposals affecting that year; greater benefits will accrue in 1975 and subsequent years when these proposals are fully operative. The relief proposed by Saskatchewan will have relatively little impact.

The relief measures proposed by the Provinces are a positive step toward resolving the industry's current problems. Welcome as these measures are, however, it is highly improbable that they will, in themselves, be sufficient to reverse the decline in exploration and development activity in Canada. National Energy Board officials have confirmed that Canadian self-sufficiency in oil, attained only recently, will vanish in the not too distant future. There is concern also about future supplies of natural gas. Reductions in exports will not redress the problem,




but will only postpone the inevitable for a year or two and will worsen the situation in the long run. With conventional sources fast dwindling, Canada must look to the high-cost frontier areas and oil sands to offset the predicted shortages. Funds to explore and develop these future supplies must come largely from cash flows generated from existing production. Oil prices must be raised to world levels and the field pricing of natural gas should be determined on a more realistic basis. Increased prices, however, will only be effective if they are accompanied by a moderation of royalty and taxation policies. Equally crucial from the industry's viewpoint is an assurance of relative permanency of whatever measures are adopted in the various jurisdictions. Given these ingredients, there are good prospects that a high degree of Canadian self-sufficiency of petroleum products eventually can again be achieved.

The Shareholders' Meeting to be held on April 22, 1975 will be both a Special and an Annual General Meeting at which two new Bylaws will be presented for approval. Bylaw No. 26 provides for an increase in the number of directors from sixteen to eighteen. Mr. A. M. Shoultz of Calgary and Mr. P. L. P. Macdonnell, Q.C. of Edmonton are being proposed as the two additional directors, thus adding to the Western representation on the Board. Bylaw No. 27 provides for an increase in the authorized number of Class A shares from 7,000,000 to 10,000,000 in order to give greater flexibility should it become desirable in the future to increase the equity capital of the Company. These new Bylaws are dealt with in greater detail in the Proxy Statement.

A number of senior executive appointments were made during the year. Mr. J. H. Geddes was appointed a Vice-President of Home and Executive Vice-President and General Manager of Scurry-Rainbow Oil Limited and Mr. J. P. Crone was appointed Vice-President, International Operations. All of the Company's mining activities have been integrated and Mr. F. C. Finn has been appointed Vice-President, Mining for both Home Oil Company Limited and Scurry-Rainbow Oil Limited.

The Directors again wish to commend the employees for their loyalty and dedicated efforts during the past year and solicit their continued support in the uncertain times ahead.

Submitted on behalf of the Board of Directors.



Chairman of the Board



President and Chief Executive Officer

Calgary, Alberta  
February 25, 1975



## FINANCIAL REVIEW

In 1974 Home Oil's gross revenue, after deduction of Provincial royalties at substantially higher levels than in previous years, totalled \$79,520,000, an increase of \$23,506,000 over 1973. This significant gain was attributable largely to higher prices for crude oil and natural gas. The operations of Scurry-Rainbow Oil Limited, acquired during the year and consolidated from June 1, 1974, also contributed materially to the increase in gross revenue.

Net earnings before an extraordinary item, amounted to \$17,418,000 or \$2.14 per share, as compared to the \$14,512,000 or \$1.90 per share recorded in 1973. The substantial increase in gross revenue was largely offset by higher charges for income taxes, depletion and interest. The combined effect of the resource taxation measures introduced retroactively by the Government of Canada in its Budget on November 18, 1974, and the tax relief proposals announced subsequently by the Alberta and Saskatchewan governments, resulted in additional income tax expense of \$4,600,000 in 1974 and raised the total income tax for 1974 to \$19,105,000, an increase of \$8,922,000 or 88% over 1973.

During the year the Company sold 174,300 shares of Atlantic Richfield Company for \$16,423,000 resulting in an extraordinary loss of \$3,902,000 or \$0.48 per share. Net earnings after this extraordinary item amounted to \$13,516,000 or \$1.66 per share compared to \$14,217,000 or \$1.86 per share for the comparable period in 1973.

Net cash flow from operations amounted to \$43,411,000 compared to \$31,845,000 in 1973, an increase of 27%.

Home spent a record \$44,283,000 for capital expenditures in 1974 and, in addition, undertook a number of significant financial transactions.

As a result of its offer to the shareholders of Scurry-Rainbow Oil Limited, Home acquired 1,789,772 common shares of Scurry and this, together with its previous holdings, gave the Company an 85.6% interest in Scurry at a total cost of \$59,369,000.

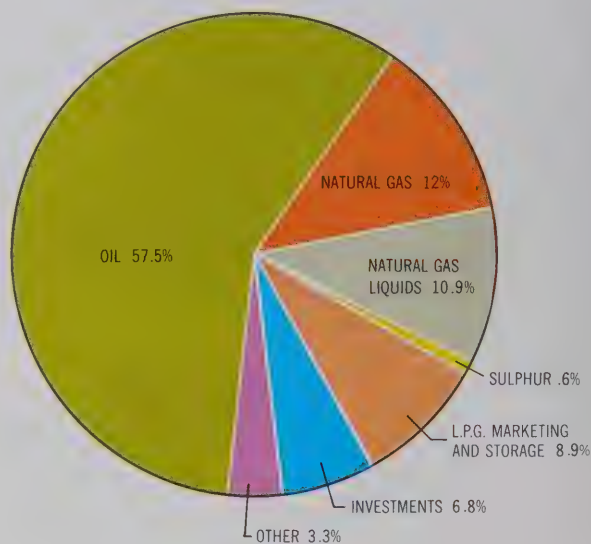
Funds raised in 1974 from sources other than cash flow were obtained mainly through bank production loans of \$26,250,000, repayable over a seven-year period with interest based upon bank prime rate, and \$16,423,000 from the sale of 174,300 shares of Atlantic Richfield Company. Arrangements

have recently been made for a secured loan of \$15,000,000 for an eleven-year term with three Canadian institutional investors and a further \$3,160,000 was received in February, 1975 from the sale of 314,000 shares of TransCanada PipeLines Limited.

In 1974 Home Petroleum Corporation completed an agreement with a U.S. utility company whereby, in exchange for entering into a gas sales agreement covering its interest in Block 595 Off-shore Louisiana, the utility advances funds on an interest free basis to cover exploration and development expenditures on the Block. Advances in 1974 under this agreement amounted to U.S. \$2,969,000. The funds are repayable over a five-year period from the date of commencement of production.

Dividends of \$0.50 per share were declared on the Class A and Class B shares. Semi-annual dividend payments of \$0.25 per share were made on January 1 and July 1, 1974.

Sources Of 1974 Gross Revenue





## REVIEW OF OPERATIONS





## PETROLEUM EXPLORATION

### General

An aggressive exploration programme was maintained in Canada, penetration into the United States was expanded and active exploration programmes were carried on in selected areas outside of North America, with emphasis on the United Kingdom and Netherlands sectors of the North Sea.

During the year the Company participated in the drilling of 104 exploratory wells of which 27 were completed as gas wells and 3 as oil wells while four wells were still in progress at the year end.

At year end the Company's land holdings amounted to 43,247,000 gross acres or 11,797,000

net acres as compared to 27,651,000 gross acres or 7,340,000 net acres at the end of 1973. The major portion of the increase in 1974 stems from the inclusion of Scurry-Rainbow's acreage. Expenditures for petroleum exploration in 1974 totalled \$29,534,000, about \$13,000,000 more than in 1973.

### Canada

In 1974 the Company participated in the drilling of 59 exploratory wells; 50 in Alberta, 3 in British Columbia, 3 in the Arctic Islands, 1 offshore East Coast, 1 on Anticosti Island and 1 in the Yukon. This drilling programme resulted in 17 gas wells and 1 oil well in Alberta and 1 gas well in British Columbia. In Alberta 26 of the 50 wells were drilled by other companies at their cost under farmout agreements.

### EXPLORATION ACREAGE, JANUARY 1, 1975

	Petroleum & Natural Gas Leases (1)		Reservations, Licences and Permits		Totals	
	Gross	Net	Gross	Net	Gross	Net
<b>Canada</b>						
Alberta (1) .....	4,018,903	1,599,035	709,024	272,171	4,727,927	1,871,206
Arctic Islands .....	—	—	4,028,934	809,458	4,028,934	809,458
British Columbia (1) .....	330,477	58,766	1,498,237	483,531	1,828,714	542,297
Hudson's Bay .....	—	—	898,431	898,431	898,431	898,431
Manitoba (1) .....	38,951	28,942	—	—	38,951	28,942
New Brunswick .....	—	—	5,937,000	—	5,937,000	—
Newfoundland .....	—	—	2,318,637	141,035	2,318,637	141,035
Nova Scotia .....	—	—	2,283,920	434,132	2,283,920	434,132
Northwest Territories .....	12,200	7,320	1,748,696	450,929	1,760,896	458,249
Ontario .....	1,449	830	—	—	1,449	830
Quebec .....	—	—	1,178,126	344,181	1,178,126	344,181
Saskatchewan (1) .....	2,391,790	1,702,845	808,160	764,320	3,199,950	2,467,165
Yukon Territory .....	—	—	1,183,347	289,770	1,183,347	289,770
	<u>6,793,770</u>	<u>3,397,738</u>	<u>22,592,512</u>	<u>4,887,958</u>	<u>29,386,282</u>	<u>8,285,696</u>
<b>Europe</b>						
Italy .....	—	—	361,963	145,220	361,963	145,220
Malta .....	—	—	426,218	90,571	426,218	90,571
Netherlands — Offshore .....	—	—	1,200,000	30,000	1,200,000	30,000
United Kingdom — Offshore .....	—	—	212,232	45,471	212,232	45,471
United Kingdom — Onshore .....	—	—	1,331,463	650,822	1,331,463	650,822
	<u>—</u>	<u>—</u>	<u>3,531,876</u>	<u>962,084</u>	<u>3,531,876</u>	<u>962,084</u>
<b>United States</b>						
Alaska .....	589,765	469,335	—	—	589,765	469,335
Gulf of Mexico — Offshore .....	38,800	7,276	—	—	38,800	7,276
Montana .....	499,533	396,402	—	—	499,533	396,402
North & South Dakota .....	538,116	217,380	—	—	538,116	217,380
Oklahoma .....	5,817	1,230	—	—	5,817	1,230
Texas .....	167,606	38,251	—	—	167,606	38,251
Utah .....	93,121	39,020	—	—	93,121	39,020
Wyoming .....	239,183	121,402	—	—	239,183	121,402
Southeastern States (2) .....	17,628	2,948	—	—	17,628	2,948
	<u>2,189,569</u>	<u>1,293,244</u>	<u>—</u>	<u>—</u>	<u>2,189,569</u>	<u>1,293,244</u>
<b>Others</b>						
Oman .....	—	—	3,211,520	802,880	3,211,520	802,880
Somali Republic .....	—	—	4,928,000	453,376	4,928,000	453,376
<b>Total</b> .....	<u>8,983,339</u>	<u>4,690,982</u>	<u>34,263,908</u>	<u>7,106,298</u>	<u>43,247,247</u>	<u>11,797,280</u>

(1) Includes Mineral Titles, Mineral Leases and Royalty Interest Acreage.

(2) Alabama, Florida, Louisiana, Mississippi.



In the Maritimes, Home is participating in a seismic and drilling programme in New Brunswick whereby an interest in 5.9 million acres may be obtained. The seismic programme has been completed and a decision on drilling will be made in 1975. In the Chignecto Bay area of Nova Scotia, another operator has committed to drill a deep test well on Company acreage to earn a partial interest.

Throughout 1974 the Company continued to evaluate its existing land holdings and prospective acreage in areas of special interest through participation in seismic shooting programmes and by acquisition of seismic data in trade. Areas of particular interest include the Mackenzie Delta, Beaufort Sea, Arctic Islands, Hudson Bay, Central Alberta and British Columbia.

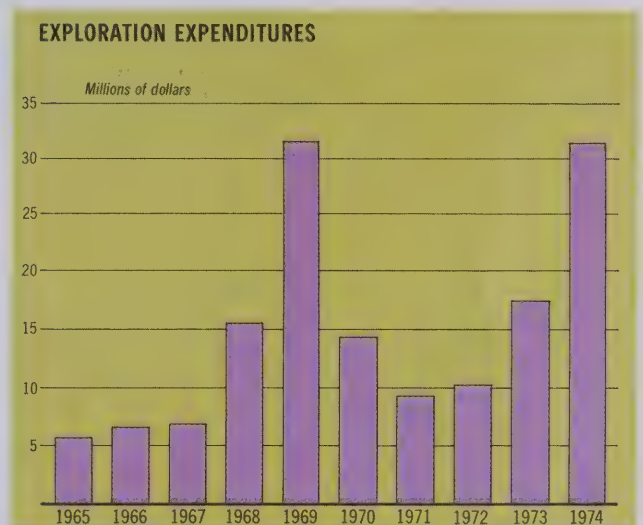
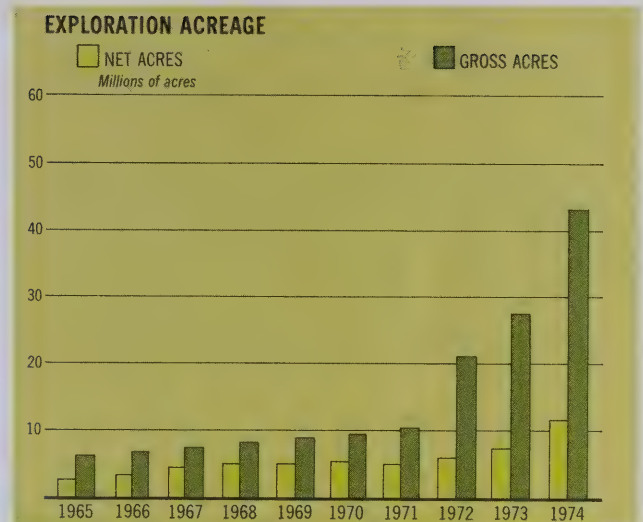
### United States

The Company carried out a wide-ranging drilling programme in the United States in 1974. In total, 42 wells were drilled, including 7 drilled by other operators with no cash outlay by the Company. The results of this programme included 1 oil well and 2 gas wells in Wyoming, 1 oil well and 2 gas wells in Texas, 1 gas well in Oklahoma, 1 gas well in Alabama and 2 gas wells offshore Louisiana.

A number of important land acquisitions were made during the year. In Montana and North Dakota, the Company acquired a share in approximately 600,000 acres of Federal Land Bank leases and purchased interests in about 130,000 acres in the Fort Worth Basin of Texas.

In the Gulf of Mexico, Home now has interests in 7 blocks offshore Texas, Louisiana and Florida. Each block contains approximately 5,000 acres. Following a successful gas discovery on Block 595 offshore Louisiana in 1974, a multi-slot drilling platform is being constructed for completion in 1975. Additional seismic control data was obtained during the year in preparation for future drilling. A well on Block 306 which was in progress at the end of 1974 was subsequently abandoned. Early in 1975 a well drilled on Block 342 indicated the presence of gas in non-commercial quantities and a second well is now being drilled on this Block.

In Natrona County, Wyoming, the first development well was successfully completed early in 1975, following a 1974 oil discovery. A detailed seismic program was completed during 1974 on Scurry-Rainbow's acreage in the Washakie Basin of Southwestern Wyoming and in 1975 an 8,000 foot exploratory well will be drilled at no drilling cost to the Company on an 81,324 acre block. Scurry-



Rainbow participated in a large scale seismic program in the greater Green River Basin area of southwestern Wyoming and a deep exploratory well has commenced drilling on an attractive prospect.

In 1974 Scurry-Rainbow drilled an unsuccessful 10,375 foot exploratory well in the Paradox Basin of southeastern Utah. Subsequently a seismic survey detailed prospective geological structures and a well is currently being drilled, at no drilling cost to Scurry-Rainbow, to test one of the features. On completion of the well, the Company will have earned a 12½% interest in 59,860 acres.



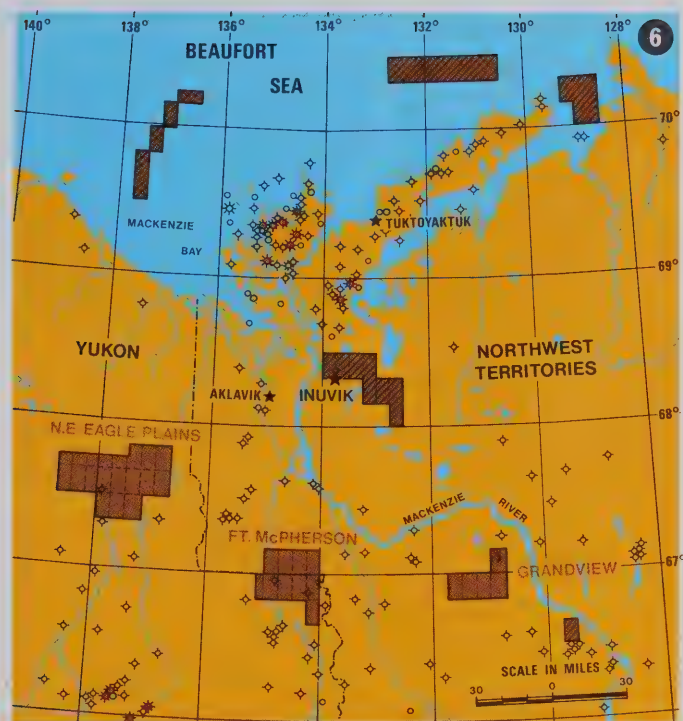


### MAP LEGEND

- HOME OIL AREAS OF INTEREST
- SCURRY-RAINBOW AREAS OF INTEREST
- GAS WELLS
- OIL WELLS
- DRILLING LOCATIONS
- GAS FIELDS
- OIL FIELDS
- GAS PIPELINES
- OIL PIPELINES









## MINING

### United Kingdom — Offshore

Home holds a 30% interest in Blocks 210/19 and 38/2 in the U.K. portion of the North Sea and operates these on behalf of a consortium of Canadian and British companies. The Company used the semi-submersible "ODIN DRILL" for a well in Block 210/19. Hydrocarbons were not encountered but a substantial thickness of potential reservoir sand was penetrated. Information from the well is being studied with a view to possible further drilling on the Block. Scurry-Rainbow has a 20% interest in Block 3/7 in the East Shetlands Basin adjacent to the Ninian oilfield. Evaluation of Block 3/7 is continuing and a decision on the drilling of a well will be made during 1975.

### Netherlands — Offshore

In the Netherlands sector of the North Sea, Scurry-Rainbow is a participant in a Group which holds an interest in 13 blocks. Scurry's interest is equivalent to 2.5% in 1,200,000 gross acres. During 1974 the Group drilled two wells one of which tested up to 12 MMCF of gas per day, while the other encountered oil in non-commercial quantities. The Group has recently acquired the right to earn an interest in another Block and plans to drill a well on this Block plus three wells on Blocks previously acquired.

### Oman — Offshore

Home is a participant in an international consortium which plans to drill a well in a concession offshore Oman during 1975. A seismic program of 365 miles was completed in 1974 in the area of this concession in which Home has a 25% interest.

### Italy — Offshore

Offshore Italy, on the Grosseto Mare prospect in which Home has a 30% interest, seismic evaluation was completed in 1974 and a well is planned during 1975. The Company is responsible for 15% of the well costs.

### Coal

The Company, through Scurry-Rainbow Oil Limited, has major coal properties at Blairmore, Alberta and Elk River, British Columbia.

Consolidation Coal Company of Canada ("Consol") by payment of \$500,000 extended its option to May, 1975 to purchase a 50% interest in the Company's Blairmore coal holdings. Consol continued their exploration on the Blairmore-Grassy Mountain deposit and in addition has completed separate exploration programs on the Adanac and Lynx Creek coal deposits in the Blairmore area.

More than 100,000 feet of test drilling has been carried out in delineating the coal deposits of the Blairmore properties. A large bulk sample of Grassy Mountain coal was mined, processed and shipped, in three trainloads totalling nearly 19,000 short tons of clean thermal coal, to Ontario Hydro for evaluation.

The Elk River property in British Columbia was thoroughly evaluated in 1971 and the presence of several hundred million tons of mineable metallurgical coal was confirmed. A consortium of European coal consumers is investigating the possibility of developing this property and a program of exploration and sampling is being considered for later this year. Scurry-Rainbow has a 50% interest in this coal deposit.

### Metallic

Home Oil was active in 11 mining exploration programmes during 1974. Six were located in British Columbia, with the remainder in the Yukon, Northwest Territories, Arctic Islands and Manitoba. The primary search was for base metal deposits, however, four gold properties were explored. Follow-up exploratory diamond drilling is planned in three areas during 1975.

An underground exploration programme was initiated on the Mosquito Creek gold prospect located at Wells, British Columbia. A three-compartment shaft was completed to a depth of 516 feet and cross-cuts are presently being driven on two levels to the favourable Baker-Rainbow formation contact. Exploratory drifting and diamond drilling are planned to outline gold bearing replacement ore deposits.

During 1974 Scurry-Rainbow's major metallic exploration efforts were directed toward the Santa Rita silver mining operation in the state of Zacatecas, Mexico. The main shaft was deepened a vertical distance of 150 feet, to the 9th level, where the Santa Rita vein was cross-cut encountering excellent





## HISTORY OF THE Santa Rita Mine

The Santa Rita Mine was worked by the Spaniards from 1560 to 1810, Mexicans from 1810 to 1882, by the English from 1882 to 1884 and by Americans from 1899 until 1906.

During the American operation the water produced in the lower levels of the mine was handled by a series of large underground steam pumps. In 1906 very heavy rains caused flooding along the Rio Grande and other major rivers and prevented coal from being shipped to the mine. When all available fuel material at the property was exhausted the mine flooded and was not re-opened until Scurry's program was implemented in 1972.

mineralization. East and west drifting on the Santa Rita vein is expected to add to the reserves and increase the overall grade average. The economics of the project now justify the construction of a mill and an antimony leaching plant in order that production can start in the latter part of 1975.

## RESERVES

The Company's proven developed crude oil, natural gas liquids, natural gas and sulphur reserves at January 1, 1975, before deduction of royalties and minority interests, are summarized in the accompanying table. The acquisition of Scurry-Rainbow Oil Limited during 1974 resulted in substantial additions to the Company's proven reserves of all products. Minor additions to proven reserves have been included for recent oil and gas discoveries in the United States and Canada, but additional data is required to fully evaluate these finds.

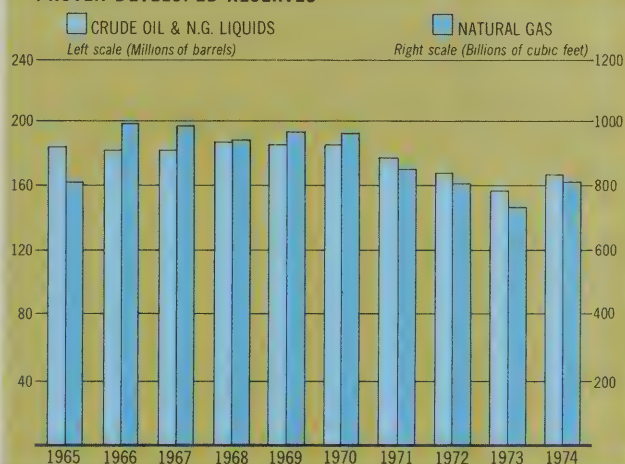
### PROVEN DEVELOPED RESERVES

(Before Deduction of Royalties)

	Jan. 1, 1975	Jan. 1, 1974
Crude Oil — barrels . . . . .	150,442,300	140,140,900
Natural Gas Liquids — barrels . . . . .	16,151,100	15,560,500
Natural Gas —		
thousand cubic feet . . . . .	810,822,000	726,228,000
Sulphur — long tons . . . . .	2,154,300	1,662,900

The above figures exclude proven undeveloped and probable additional reserves. Bitumen reserves underlying Home's jointly held leases in the Athabasca Oil Sands are also excluded.

### PROVEN DEVELOPED RESERVES





## PRODUCTION

The production statistics for 1974 in the accompanying table include the production of Home's recently acquired subsidiary, Scurry-Rainbow Oil Limited, from June 1, 1974.

Production of crude oil and natural gas liquids (condensate, propane and butane), before the deduction of royalties and minority interests, averaged 37,803 barrels per day in 1974, an increase of 4.9% over the 36,030 barrels per day produced during 1973. Natural gas sales averaged 119.5 million cubic feet per day, slightly below the 1973 average of 121.5 million cubic feet per day. Sulphur sales for 1974 totalled 54,886 long tons compared to 48,884 long tons in the previous year.

During the seven months beginning June 1, 1974, Scurry-Rainbow's daily production of crude oil and natural gas liquids averaged 7,830 barrels, natural gas sales averaged 12.0 Mcf per day and sulphur sales totalled 8,332 long tons.

Excluding the additional production resulting from the acquisition of Scurry-Rainbow, production of crude oil and natural gas liquids was 7.8% less than in 1973 and natural gas sales were 7.4% down from the previous year. The decrease in crude production is attributable primarily to lower demand by U.S. export markets and, to a lesser extent, to a natural decline in production from some of the Company's older properties. The major portion of the decrease in natural gas sales was due to mechanical problems in the Nevis Operators' Committee Plant and lower volumes from the Harmattan-Elkton Plant which, in 1973, produced at abnormally high rates to make up for a previous shortfall in contracted deliveries.

During 1974 sales contracts were renegotiated for most of the gas sold by Home. This resulted in price increases effective at various times throughout the year. At year end the weighted average selling price for all of Home's gas was approximately \$.49 per thousand cubic feet compared to \$.22 per thousand cubic feet a year earlier. Further increases in gas prices can be anticipated in 1975 under the renegotiation provisions of the sales contracts. The effect on the Company's income of the Federal Government's minimum border price ruling of \$1.00 per thousand cubic feet for gas exported to the U.S. will not be known until mid-1975.

Crude oil sales from recent discoveries in Wyoming and Utah commenced before the end of 1974. Sale of gas from 1974 discoveries in Oklahoma, Texas and Wyoming are expected to begin during the first half of 1975.

## SOURCE OF PRODUCTION

(Before Deduction of Royalties)

### Producing Area

	1974	1973
<b>CRUDE OIL — Barrels</b>		
<b>Alberta</b>		
Swan Hills . . . . .	6,163,892	6,544,500
Mitsue-Saulteaux . . . . .	1,220,488	1,331,434
Virginia Hills . . . . .	1,003,129	1,133,167
Pembina . . . . .	809,562	856,724
Harmattan-Elkton . . . . .	513,888	523,102
Turner Valley . . . . .	367,545	377,641
Leduc-Woodbend . . . . .	234,436	269,532
Redwater . . . . .	208,072	—
Others . . . . .	716,871	569,593
	<u>11,237,883</u>	<u>11,605,693</u>
<b>Saskatchewan</b>		
Workman . . . . .	237,896	—
Other . . . . .	404,760	19,311
	<u>642,656</u>	<u>19,311</u>
<b>British Columbia</b> . . . . .	378,397	—
<b>Manitoba</b> . . . . .	39,795	—
<b>United States</b>		
Wyoming . . . . .	2,800	—
Utah . . . . .	4,289	—
	<u>7,089</u>	<u>—</u>
<b>Total Crude Oil</b> . . . . .	<u>12,305,820</u>	<u>11,625,004</u>
<b>Daily Average</b> . . . . .	<u>33,714</u>	<u>31,849</u>

### NATURAL GAS LIQUIDS — Barrels

<b>Alberta</b>		
Carstairs-Elkton . . . . .	669,208	735,884
Harmattan . . . . .	266,326	309,375
Nevis . . . . .	158,740	143,952
Calgary . . . . .	99,372	98,400
Others . . . . .	298,781	238,614
<b>Total Natural Gas Liquids</b> . . . . .	<u>1,492,427</u>	<u>1,526,225</u>
<b>Daily Average</b> . . . . .	<u>4,089</u>	<u>4,181</u>
<b>Total Crude Oil and Natural Gas Liquids</b>	<u>13,798,247</u>	<u>13,151,229</u>
<b>Daily Average</b> . . . . .	<u>37,803</u>	<u>36,030</u>

### NATURAL GAS — Thousand Cubic Feet

<b>Alberta</b>		
Carstairs-Elkton . . . . .	15,428,676	14,229,807
Nevis . . . . .	5,507,189	6,340,190
Swan Hills . . . . .	3,364,880	3,933,593
Marten Hills . . . . .	2,573,828	2,763,237
Calgary . . . . .	2,430,143	2,350,685
Crossfield . . . . .	1,580,927	980,326
Harmattan-Elkton . . . . .	1,439,712	2,313,720
Turner Valley . . . . .	1,292,167	1,502,311
Whitcourt . . . . .	1,250,751	1,326,481
Nordegg-Brzeau . . . . .	1,148,659	728,517
Sarcee . . . . .	924,545	956,035
Jumping Pound . . . . .	750,341	1,658,218
Retlaw . . . . .	658,492	539,090
Pendor . . . . .	378,329	335,697
South Elkton . . . . .	329,008	302,181
Others . . . . .	4,457,178	4,085,932
	<u>43,514,825</u>	<u>44,346,020</u>
<b>British Columbia</b> . . . . .	110,926	—
<b>Total Natural Gas</b> . . . . .	<u>43,625,751</u>	<u>44,346,020</u>
<b>Daily Average</b> . . . . .	<u>119,523</u>	<u>121,496</u>



The Company had an interest in 65 development wells drilled in 1974. These resulted in 14 oil and 19 gas wells in Alberta, 10 oil wells in Utah, 2 oil wells in British Columbia and 1 oil well in each of Wyoming and Saskatchewan. Thirteen additional wells were being drilled at year end.

## PIPELINES

### Federated Pipe Lines Ltd.

During 1974, Federated Pipe Lines Ltd., 50% owned and operated by the Company, had a throughput averaging 314,524 barrels per day, down 4.8% from 330,420 barrels per day in 1973. The 1974 throughput represents approximately 24% of Alberta's total light and medium crude production. Throughputs peaked at 359,500 barrels per day during 1974 as compared to 368,600 barrels per day in 1973.

Federated Pipe Lines Ltd. currently has a main line capacity of 450,000 barrels per day, with a total of 32,100 horsepower being connected to achieve this capacity.

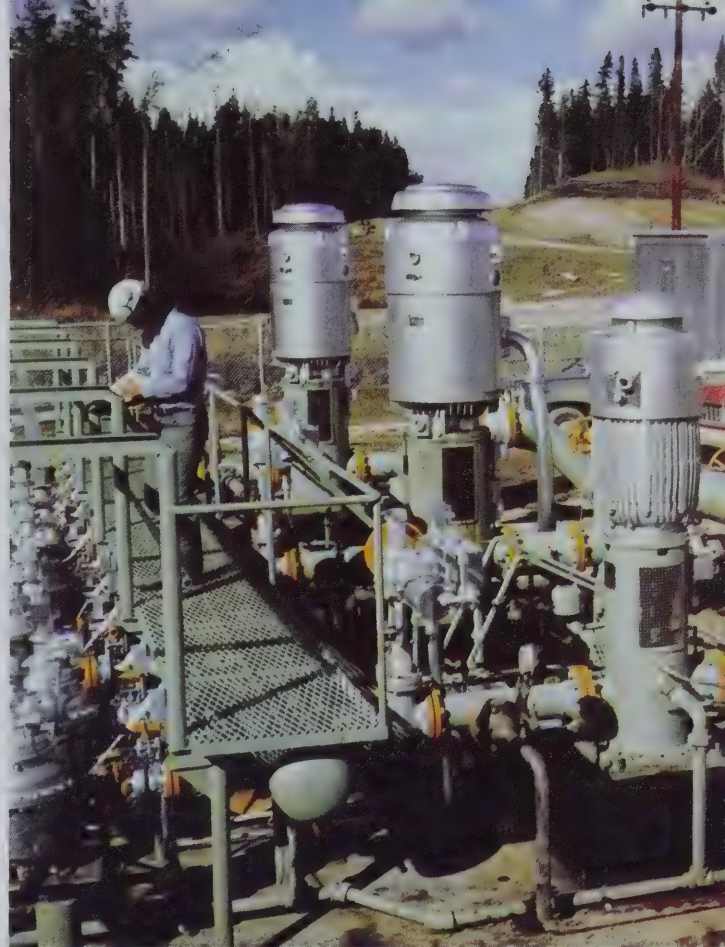
### Cremona Pipe Line Division

Cremona Pipe Line Division's throughput of crude, condensate and butane averaged 46,517 barrels per day in 1974, an increase of 1.5% from 45,817 barrels per day in 1973.

## MARKETING

The Marketing Divisions of Home Oil and its United States subsidiary, Home Petroleum Corporation, had another successful year in 1974. Market demand and price for butane and propane were strong and our marketing operations were able to make a substantial contribution to the Company's profits despite the restrictive government controls introduced in both Canada and the United States. Approximately 220 million gallons of LPG were handled with a large portion of this volume being moved to market by our railway tank car fleet of over 400 jumbo units.

The underground salt cavern storage facilities in Kansas acquired early in 1974, combined with our share of the storage operated at Hardisty, Alberta, gives the two companies over 10 million barrels of LPG storage. In addition to being profitable, these facilities add great flexibility to our marketing activities.



Sulphur prices strengthened considerably during 1974 with the result that revenue from sulphur sales was up substantially over 1973. It is anticipated prices will continue to improve during 1975.

## EMPLOYEES

At year end Home and its subsidiary companies employed 740 persons as compared to 604 on December 31, 1973. Most of the increase was due to operations acquired or established during the year. This includes 82 employees of Scurry-Rainbow Oil Limited, 20 employees at our Kansas underground storage facility and 6 employees in our exploration office in Houston, Texas.

During 1974, 24 employees, whose collective years of service with the Company totalled more than 400 years and whose individual service varied from 10 to 25 years, received awards.

The Company is cognizant of the need to maintain and to improve the technical and managerial skills of its employees. As in past years a considerable number of employees participated in Company sponsored training programs.



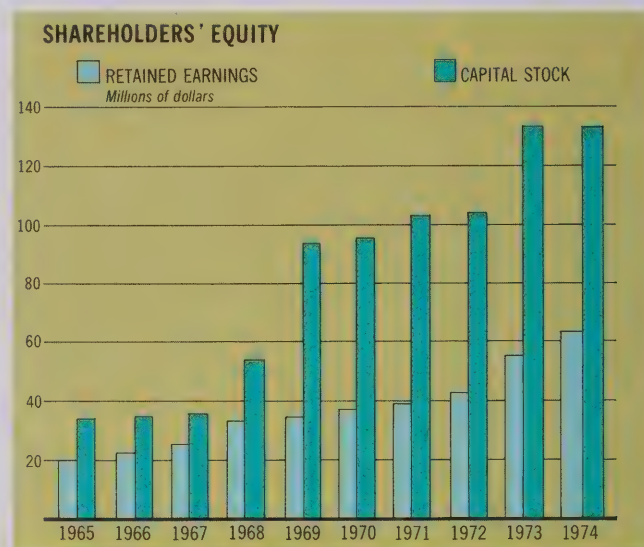
## ABOUT HOME'S SHARES

The Company has two classes of shares outstanding, Class A and Class B, which are listed on four Canadian stock exchanges and on the American and Pacific Coast exchanges in the United States.

Class A shares are entitled to a fixed cumulative dividend of \$0.25 per year in priority to dividends on the Class B shares. After this dividend on the Class A shares, dividends of \$0.25 per share may be paid on the Class B shares, and any further dividends in any year are payable equally on the Class A and Class B shares. Therefore, as long as the Company continues to pay dividends of at least \$0.25 per year on the Class A and Class B shares, the shares of both classes participate equally in all dividends paid. Only the Class B shares carry voting rights under normal circumstances.

The Company is controlled by The Consumers' Gas Company through its ownership at December 31, 1974 of about 96% of the outstanding shares of Cygnus Corporation Limited. Cygnus in turn holds one million Class B shares of Home. Consumers'

also directly owns 276,788 Class B shares of Home, bringing its effective control of such shares to 1,276,788 or 49.6% at December 31, 1974. The outstanding warrants covering 109,965 Class A shares of Home are also held by Cygnus.



	CLASS A		CLASS B	
	1974	1973	1974	1973
Shares Authorized	7,000,000		5,000,000	
Shares Issued at December 31	5,571,287	5,569,287	2,572,905	2,572,905
Shares Reserved for:				
Warrants	109,965	109,965	—	—
Options	112,450	114,450	—	—
Number of Shareholders	9,840	9,905	2,932	3,022
Distribution of Shares at December 31				
Canada	90.7%	88.2%	96.2%	95.9%
United States	8.4	11.0	3.3	3.6
United Kingdom	.7	.5	.1	.1
Other	.2	.3	.4	.4
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Volume of Shares Traded	1,435,842	1,858,998	236,641	374,769
Federal Government Valuation				
Day Values	\$33.38/Share		\$33.00/Share	
Price Ranges (High-Low)				
Toronto Stock Exchange				
First Quarter	55½ - 48%	44¼ - 37%	51 - 44	40¼ - 37
Second Quarter	52¾ - 30¾	44¾ - 35	48½ - 30¼	39¼ - 33½
Third Quarter	39¾ - 18	47¾ - 41%	36¼ - 16½	46½ - 37%
Fourth Quarter	25½ - 14%	58 - 43	22 - 12%	53 - 42
American Stock Exchange				
First Quarter	56 - 49%	44½ - 38%	52 - 46	41 - 37¼
Second Quarter	53¾ - 31¼	42¾ - 35½	48¾ - 33¾	39% - 36
Third Quarter	41 - 18¼	47¾ - 41%	36½ - 17	46 - 38%
Fourth Quarter	24¾ - 15%	57¾ - 43¼	22½ - 14½	52% - 42%
Dividends Declared Per Share (\$0.25 Per Share Paid Semi-Annually on January 1 and July 1 each year)	\$0.50	\$0.50	\$0.50	\$0.50



## FIVE YEAR SUMMARY OF OPERATIONS

	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
Revenue . . . . .	\$79,520,000	\$56,014,000	\$39,933,000	\$34,252,000	\$30,008,000
Expenses					
Operating, general and administrative and minority interest . . .	15,854,000	12,465,000	9,600,000	9,488,000	8,139,000
Depletion and depreciation	20,517,000	15,043,000	13,207,000	9,877,000	7,505,000
Interest expense . . . . .	6,626,000	3,811,000	4,874,000	6,415,000	7,805,000
	<u>42,997,000</u>	<u>31,319,000</u>	<u>27,681,000</u>	<u>25,780,000</u>	<u>23,449,000</u>
Net earnings before provision for income taxes . . . . .	36,523,000	24,695,000	12,252,000	8,472,000	6,559,000
Provision for income taxes . . . . .	<u>19,105,000</u>	<u>10,183,000</u>	<u>5,162,000</u>	<u>3,808,000</u>	<u>2,502,000</u>
Net earnings before extraordinary items . . . . .	17,418,000	14,512,000	7,090,000	4,664,000	4,057,000
Extraordinary items . . . . .	<u>(3,902,000)</u>	<u>(295,000)</u>	<u>2,198,000</u>	<u>838,000</u>	<u>1,390,000</u>
Net earnings . . . . .	<u>\$13,516,000</u>	<u>\$14,217,000</u>	<u>\$ 9,288,000</u>	<u>\$ 5,502,000</u>	<u>\$ 5,447,000</u>

Revenue increased in 1971 and 1972 mainly as a result of higher production of crude oil and natural gas. Increased prices for both products together with a continuation of production growth resulted in substantially higher revenue for 1973.

Revenue for 1974 increased by approximately 42% from 1973. This results from additional price increases for both crude and natural gas, partially offset by reduced production of both products. In addition, the results of Scurry-Rainbow Oil Limited are included from June 1, 1974.

Income taxes for 1974 incorporate the effect of recently proposed government tax measures which were responsible for more than half of the increase over 1973. Depletion and depreciation expense increased mainly as a result of the Scurry-Rainbow consolidation. Interest expense was materially higher due to bank borrowings used to finance the Scurry acquisition.

Extraordinary items in each of the above years except 1972 relate wholly to gains or losses on sales of investments. The extraordinary item of \$2,198,000 in 1972 is the net result of a gain on the sale of investments and a \$2,700,000 write-down of our interest in the Lockton gas plant.

Additional information relating to the above items is contained in the Directors' report to the shareholders, the financial, production and ten-year reviews and in the notes to the consolidated financial statements.

The following table shows the percentage of gross revenue contributed by the two major sources during each of the five years ended December 31, 1974:

	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
Crude oil . . . . .	57.82%	60.52%	57.95%	56.66%	50.64%
Natural gas and related products . . . . .	23.61%	19.33%	21.86%	23.66%	25.02%

The Company produces crude oil, natural gas and other products principally as a result of one integrated operation. Frequently these products are produced jointly. Accordingly, it is not possible to allocate expenses to revenues generated by product in order to determine the contribution to net earnings by individual product line.



**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

For The Years Ended December 31, 1973 and 1974

	1974	1973
<b>Funds Were Obtained From</b>		
Net earnings before extraordinary item . . . . .	\$17,418,000	\$14,512,000
Adjustment for non-cash items and difference between earnings of 50% owned companies and dividends received . . . . .	25,993,000	17,333,000
Net flow of funds from operations . . . . .	43,411,000	31,845,000
Sale of investments . . . . .	16,423,000	3,191,000
Issuance of capital stock (Note 5)		
On conversion of debt . . . . .	—	24,223,000
Other . . . . .	59,000	4,844,000
Long-term borrowings . . . . .	29,533,000	—
Other . . . . .	309,000	414,000
	<u>\$89,735,000</u>	<u>\$64,517,000</u>
<b>Funds Were Used For</b>		
Property, plant and equipment . . . . .	\$44,283,000	\$21,629,000
Reduction in long-term debt . . . . .	11,354,000	36,144,000
Dividends . . . . .	4,072,000	3,875,000
Acquisition of Scurry-Rainbow Oil Limited (Note 1) . . . . .	\$59,369,000	
Expended in 1973 . . . . .	10,200,000	10,200,000
Expended in 1974 . . . . .	49,169,000	
Working capital acquired in 1974 . . . . .	4,995,000	
Other net assets acquired in 1974 . . . . .	<u>\$44,174,000</u>	
Investments and advances . . . . .	\$ 2,823,000	
Property, plant and equipment . . . . .	74,253,000	
Other assets . . . . .	431,000	
Long-term debt . . . . .	(14,341,000)	
Accumulated tax reduction applicable to future years . . . . .	(6,502,000)	
Minority interest . . . . .	<u>(12,490,000)</u>	
	44,174,000	
	103,883,000	71,848,000
<b>Decrease in Working Capital</b> . . . . .	14,148,000	7,331,000
	<u>\$89,735,000</u>	<u>\$64,517,000</u>

**AUDITORS' REPORT**

To the Shareholders, Home Oil Company Limited

We have examined the consolidated balance sheets of Home Oil Company Limited and subsidiaries as at December 31, 1973 and 1974, and the related consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations of the financial statements of Home Oil Company Limited (the parent company) and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta  
February 21, 1975.

RIDDELL, STEAD & CO.  
Chartered Accountants



**CONSOLIDATED STATEMENT OF EARNINGS**

For The Years Ended December 31, 1973 and 1974


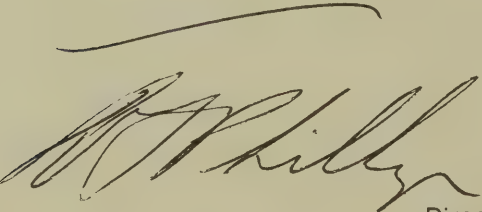
	1974	1973
<b>Revenue</b>		
Operating revenue . . . . .	\$74,122,000	\$51,503,000
Investment income . . . . .	5,398,000	4,511,000
	<u>79,520,000</u>	<u>56,014,000</u>
<b>Expense</b>		
Operating . . . . .	10,095,000	8,161,000
General and administrative . . . . .	5,933,000	4,237,000
Depletion . . . . .	17,604,000	12,846,000
Depreciation . . . . .	2,913,000	2,197,000
Interest and expense on long-term debt . . . . .	3,757,000	3,681,000
Other interest . . . . .	2,869,000	130,000
Minority interest . . . . .	(174,000)	67,000
	<u>42,997,000</u>	<u>31,319,000</u>
Net earnings before provision for income taxes . . . . .	<u>36,523,000</u>	<u>24,695,000</u>
<b>Provision For Income Taxes</b>		
Current . . . . .	11,761,000	6,786,000
Deferred . . . . .	7,344,000	3,397,000
	<u>19,105,000</u>	<u>10,183,000</u>
<b>Net Earnings</b> before extraordinary item . . . . .	<u>17,418,000</u>	<u>14,512,000</u>
<b>Extraordinary Item</b>		
Loss on sale of investments . . . . .	3,902,000	295,000
<b>Net Earnings</b> . . . . .	<u>\$13,516,000</u>	<u>\$14,217,000</u>
<b>Earnings Per Share</b> (based on average number of shares outstanding)		
Net earnings before extraordinary item . . . . .	\$2.14	\$1.90
Extraordinary item . . . . .	(.48)	(.04)
Net earnings . . . . .	<u>\$1.66</u>	<u>\$1.86</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

For The Years Ended December 31, 1973 and 1974

	1974	1973
<b>Balance, At Beginning of Year</b> . . . . .	\$54,167,000	\$43,825,000
<b>Net Earnings</b> . . . . .	13,516,000	14,217,000
	<u>67,683,000</u>	<u>58,042,000</u>
<b>Dividends Declared</b>		
Class A shares . . . . .	2,786,000	2,589,000
Class B shares . . . . .	1,286,000	1,286,000
	<u>4,072,000</u>	<u>3,875,000</u>
<b>Balance, At End of Year</b> . . . . .	<u>\$63,611,000</u>	<u>\$54,167,000</u>

**CONSOLIDATED BALANCE SHEETS as at DECEMBER 31, 1973 and 1974****Assets**

	<b>1974</b>	<b>1973</b>
<b>CURRENT ASSETS</b>		
Cash and short-term deposits . . . . .	\$ 11,407,000	\$ 1,614,000
Accounts receivable — trade . . . . .	19,257,000	15,189,000
— other . . . . .	2,664,000	—
Inventories, at lower of cost and realizable value . . . . .	5,507,000	2,175,000
	<u>38,835,000</u>	<u>18,978,000</u>
<b>INVESTMENTS AND ADVANCES</b>		
Quoted securities (Note 2) . . . . .	41,669,000	72,195,000
50% owned companies . . . . .	9,343,000	6,230,000
Partnership interest . . . . .	2,767,000	1,189,000
Advances repayable from production, at cost . . . . .	2,800,000	—
	<u>56,579,000</u>	<u>79,614,000</u>
<b>PROPERTY, PLANT AND EQUIPMENT,</b>		
at cost (Note 3) . . . . .	406,350,000	276,307,000
Accumulated depletion and depreciation . . . . .	121,961,000	102,045,000
	<u>284,389,000</u>	<u>174,262,000</u>
<b>OTHER ASSETS (Note 5) . . . . .</b>	<u>2,016,000</u>	<u>1,356,000</u>
Approved on behalf of the Board:		
 Director.		
 Director.		
	<u>\$381,819,000</u>	<u>\$274,210,000</u>



## Liabilities

	1974	1973
CURRENT LIABILITIES		
Bank indebtedness (Note 2) . . . . .	\$ 20,700,000	\$ 1,699,000
Accounts payable and accrued charges . . . . .	14,424,000	10,760,000
Dividends . . . . .	2,036,000	2,033,000
Income taxes . . . . .	9,742,000	1,205,000
Current maturities on long-term debt . . . . .	8,817,000	6,017,000
	<u>55,719,000</u>	<u>21,714,000</u>
LONG-TERM DEBT (Notes 2 and 4) . . . . .	68,119,000	32,466,000
ACCUMULATED TAX REDUCTION APPLICABLE TO FUTURE YEARS . . . . .	47,965,000	31,974,000
MINORITY INTEREST . . . . .	12,773,000	316,000

## Shareholders' Equity

### CAPITAL STOCK (Note 5)

#### Authorized

1,000,000 Preferred shares, par value \$50 each

7,000,000 Class A shares of no par value

5,000,000 Class B shares of no par value

#### Issued

5,571,287 Class A shares (1973 — 5,569,287) . . . . . 113,013,000 112,954,000

2,572,905 Class B shares (1973 — 2,572,905) . . . . . 20,619,000 20,619,000

133,632,000 133,573,000

RETAINED EARNINGS . . . . . 63,611,000 54,167,000

197,243,000 187,740,000

\$381,819,000 \$274,210,000

## NOTES TO 1973 and 1974 CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts shown in thousands of Canadian dollars)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting capital stock.
- (b) The Company follows the equity method of accounting for its investments in 50% owned companies and a 20% partnership interest. Under this method the Company's investment in such entities is carried on the balance sheet at cost plus its share of undistributed earnings or losses. The Company's share of the net earnings of these entities is included in investment income in the consolidated statement of earnings.
- (c) Current assets and current liabilities of foreign subsidiaries are converted to Canadian dollars using the exchange rate at the date of the balance sheet. Other assets and liabilities are converted at the rate in effect at the time the original transactions took place. Revenue and expense items (excluding depletion and depreciation, which are converted at the rate of exchange applicable to the related asset) are converted using average rates of exchange throughout the year.

#### OIL AND GAS OPERATIONS

The Company and its subsidiaries follow the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. The costs are accumulated in cost centres as follows:

- (a) North America — Canada and the United States.
- (b) Northwestern Europe — the United Kingdom and the Northwestern European Continental Shelf which presently encompasses all sectors of the North Sea, the Celtic Sea and the English Channel.
- (c) Other Areas — a separate cost centre for the Athabasca Tar Sands and for each foreign area in which the Company is engaged in exploration activities.

Costs accumulated in the North America cost centre are depleted using the unit of production method based upon estimated proven developed reserves, as determined by Company engineers. In calculating depletion, natural gas and sulphur reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Expenditures in the areas outlined in (b) and (c) above are amortized on a straight line basis over varying periods. Under this policy, should exploration in a particular area prove successful, the unamortized balance in that cost centre will be depleted on the unit of production basis. Should the area prove to be unproductive, the unamortized balance in that cost centre will be written off to income (included in depletion).

#### MINING OPERATIONS

Mining costs are charged to earnings in the year of expenditure (included in depletion), until such time as the presence of economically recoverable reserves is established. Subsequent expenditures are capitalized and will be depleted on a unit of production basis after commercial production commences. Economically recoverable reserves are defined by Company engineers as reserves which are capable or have a reasonable prospect of sustaining commercial production. To date, none of the Company's properties has reached the production stage.

#### INCOME TAXES

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts. The effect of the Government of Canada's budget proposals of November 18, 1974 and the respective Alberta and Saskatchewan Governments' incentive plans for the oil and gas industry (none of which has yet been enacted into legislation) resulted in a reduction in net earnings of \$4,600,000 (\$0.56 per share). This reduction was taken into account as part of income tax expense for the fourth quarter of 1974. Where appropriate, the proposed measures have been applied retroactively to May 1974.



**Note 1 Business Combination**

Pursuant to an offer dated April 26, 1974, the Company increased its investment in Scurry-Rainbow Oil Limited (a publicly held natural resources company) to 2,265,622 common shares representing an interest of 85.6%. This acquisition was accounted for by the purchase method. The Company's share of Scurry-Rainbow Oil Limited's earnings has been included in consolidated earnings since June 1, 1974, the effective date of acquisition. A summary of the acquisition is as follows:

Book value of acquired assets .....		\$56,752
Book value of assumed liabilities .....		<u>25,360</u>
		31,392
Excess of assigned value over book value of acquired net assets		
Petroleum and natural gas properties .....	\$18,890	
Mining properties .....	<u>21,287</u>	
Real estate .....	<u>725</u>	<u>40,902</u>
		72,294
Minority interest .....		<u>12,925</u>
Amount of consideration given .....		<u>\$59,369</u>

The excess of assigned value over book value of acquired net assets will be subject to the accounting policies as outlined in the above summary.

The following pro-forma information shows the Company's operating results for 1974 as though the above combination had occurred at January 1, 1974.

Revenue .....	\$84,259
Extraordinary item .....	\$ 3,902
Net earnings .....	\$12,669
Earnings per share	
Net earnings before extraordinary item .....	\$2.03
Extraordinary item .....	<u>(0.48)</u>
Net earnings .....	<u>\$1.55</u>

**Note 2 Investment in Quoted Securities**

	December 31, 1974			December 31, 1973		
	Number of Shares	Cost	Quoted Market Value	Number of Shares	Cost	Quoted Market Value
Atlantic Richfield Company						
— common shares .....	248,636	\$28,994	\$22,365	422,936	\$49,320	\$45,801
TransCanada PipeLines Limited (Note 8)						
— common shares (split 3 for 1 in 1974) .....	1,500,000	12,675	12,375	500,000	12,675	15,250
Scurry-Rainbow Oil Limited						
— common shares (Note 1) .....				475,850	10,200	9,695
		<u>\$41,669</u>	<u>\$34,740</u>		<u>\$72,195</u>	<u>\$70,746</u>

The shares of TransCanada PipeLines Limited and Atlantic Richfield Company are pledged to secure certain long-term debt and the Company's bank indebtedness outstanding from time to time.

**Note 3 Property, Plant and Equipment**

The following is a summary of the cost of property, plant and equipment and the related accumulated depreciation and depletion.

	December 31, 1974			December 31, 1973		
	Cost	Accumulated Depletion and Depreciation	Net	Cost	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development						
— North America .....	\$292,876	\$ 90,494	\$202,382	\$211,354	\$ 77,673	\$133,681
— Northwestern Europe .....	14,048	4,322	9,726	9,304	2,245	7,059
— Other Areas .....	2,477	1,012	1,465	1,444	340	1,104
Mining Properties .....	26,633	2,768	23,865	1,378	1,378	—
Production equipment .....	39,986	13,686	26,300	33,120	11,977	21,143
Land, buildings, pipeline property and other equipment .....	30,330	9,679	20,651	19,707	8,432	11,275
	<u>\$406,350</u>	<u>\$121,961</u>	<u>\$284,389</u>	<u>\$276,307</u>	<u>\$102,045</u>	<u>\$174,262</u>

## Note 4 Long-Term Debt

	December 31,	
	1974	1973
<b>Home Oil Company Limited</b>		
6½% Secured Bonds, due January 31, 1975 .....	\$ —	\$ 666
8.20% Secured Bonds, Series B, due April 30, 1980 (\$10,863 U.S.)* .....	11,458	13,857
6½% Secured Bonds, due January 1, 1983 (\$2,253 U.S.)** .....	2,434	4,359
6¼% Collateral Trust Bonds, due April 1, 1983 (subject to annual sinking fund payments) .....	9,000	10,000
6¾% Mortgage, maturing January 1, 1978* .....	432	558
Bank Production Loan, Part I, evidenced by demand note (repayable in 24 equal quarterly instalments), due July 1, 1980 .....	14,375	5,000
Bank Production Loan, Part II, evidenced by demand note (repayable in 28 quarterly instalments), due November 1, 1981 .....	15,000	—
<b>Scurry-Rainbow Oil Limited</b>		
Non-interest bearing advances under exploration agreement, due October 1, 1979 .....	381	—
6¾%, 7% and 9% Mortgages, due 1976 to 1981* .....	520	—
Non-interest bearing agreement, due July 23, 1984 (\$359 U.S.) (repayable at \$37,331 U.S. per annum) .....	350	—
7¼% Convertible subordinated debentures, due May 1, 1988 (subject to annual sinking fund payments)*** .....	16,602	—
<b>United Oils, Limited</b>		
8.10% Secured Bonds, Series B, due March 31, 1980 (3,257 U.S.)* .....	3,451	4,024
<b>Home Petroleum Corporation</b>		
Bank Loan .....	—	19
Non-interest bearing gas development advance, due 1984 (\$2,969 U.S.) .....	2,933	—
	76,936	38,483
Less: Current minimum maturities .....	8,817	6,017
	<u>\$68,119</u>	<u>\$32,466</u>

\* Repayable in monthly instalments.

\*\* Subject to monthly payments based on production from pledged properties.

\*\*\* Convertible into shares of Scurry-Rainbow Oil Limited prior to May, 1978 at \$33-1/3 per share.

All U.S. Issues are recorded on the balance sheets in Canadian dollars based on the exchange rate in effect at the date of receipt of the proceeds.

The estimated amount of long-term debt maturities and sinking fund requirements for the five years subsequent to 1974 are as follows: 1975 — \$8.8 million, 1976 — \$9.9 million, 1977 — \$10.4 million, 1978 — \$9.9 million, 1979 — \$7.9 million.

## Note 5 Capital Stock

### (a) Dividends

There are restrictions on the payment of dividends on the Class B shares and of dividends in excess of 25¢ per annum on the Class A shares under the provisions of the deeds of trust and mortgage securing certain of the outstanding long-term debt. Under the most restrictive provision, the amount permitted thereunder for payment of dividends was in excess of the retained earnings at December 31, 1974.

### (b) Shares Reserved for Exercise of Warrants

There were 109,965 Class A shares reserved at December 31, 1974 for issuance upon the exercise, on or before April 30, 1980, of warrants to purchase 76,975 shares at \$14.55 U.S. per share and 32,990 shares at \$17.66 U.S. per share.

### (c) Options to Purchase Capital Stock

As at December 31, 1974 there were 102,850 Class A shares reserved for exercise of employee stock options exercisable at \$20 and \$29.625 per share and expiring in 1984. The exercise price is equal to or greater than the market price of the shares at the date of granting. In the case of options granted to



senior officers, the Company has agreed to accept notes in payment of the optioned shares. A summary of transactions relating to optioned shares is as follows:

<b>Class A Shares</b>	<b>Officers</b>	<b>Other Employees</b>	<b>Total</b>	<b>Consideration</b>
Outstanding January 1, 1973	—	59,909	59,909	
Reclassification	11,370	(11,370)	—	
Granted at \$55	39,400	43,000	82,400	
Exercised at \$20	(1,500)	(11,409)	(12,909)	\$ 258
Exercised at \$29.625	(9,870)	(27,680)	(37,550)	1,112
Outstanding December 31, 1973	39,400	52,450	91,850	
Reclassification	3,000	(3,000)	—	
Surrendered and Cancelled	(42,400)	(40,500)	(82,900)	
Granted at \$20	45,400	50,500	95,900	
Exercised at \$29.625	—	(2,000)	(2,000)	59
Outstanding December 31, 1974	<u>45,400</u>	<u>57,450</u>	<u>102,850</u>	

All options were granted under the Officers' and Key Employees' Share Option Plan under which 9,600 Class A shares were reserved at December 31, 1974 for options that may be granted under the plan which terminates in 1979.

(d) Changes in the Company's share capital during the two years ended December 31, 1974 are as follows:

	<b>Class A</b>		<b>Class B</b>	
	<b>Number of Shares</b>	<b>Book Value</b>	<b>Number of Shares</b>	<b>Book Value</b>
January 1, 1973	4,791,285	\$ 83,887	2,572,905	\$20,619
Issued on conversion of 5½% Convertible Subordinated Debentures	652,543	24,223	—	—
Issued on exercise of employee options	50,459	1,370	—	—
Issued for investments	75,000	3,474	—	—
December 31, 1973	5,569,287	112,954	2,572,905	20,619
Issued on exercise of employee options	2,000	59	—	—
December 31, 1974	<u>5,571,287</u>	<u>\$113,013</u>	<u>2,572,905</u>	<u>\$20,619</u>

Other Assets at December 31, 1974 include non-interest bearing notes totalling \$200,000 received in payment of 10,000 Class A shares of the Company subscribed for by officers pursuant to share option agreements.

#### **Note 6 Contingent Liabilities**

The Company has guaranteed the indebtedness and certain other obligations of associated entities to the extent of approximately \$9.5 million.

#### **Note 7 Remuneration of Directors and Officers**

During 1974 the Company and its subsidiaries paid remuneration of \$103,000 to the Company's sixteen directors in their capacity as directors, and remuneration of \$551,000 to the Company's thirteen senior officers in their capacity as officers. Three of the officers were also directors of the Company.

#### **Note 8 Subsequent Events**

Subsequent to December 31, 1974, the Company sold 314,000 shares of TransCanada PipeLines Limited for \$3,160,000 and made arrangements to borrow \$15 million by issuance of secured bonds.

## A TEN YEAR REVIEW / 1965 - 1974

		1974	1973
<b>Earnings</b>	Gross Revenue .....	\$ 79,520,000	56,014,000
	Net Earnings (before Extraordinary Items) .....	\$ 17,418,000	14,512,000
	Per Share .....	\$ 2.14	1.90
	Extraordinary Items .....	\$ (3,902,000)	(295,000)
	Per Share .....	\$ (.48)	(.04)
<b>Balance Sheet</b>	Working Capital (Deficiency) .....	\$ (16,884,000)	(2,736,000)
	Investment in other Companies .....	\$ 56,579,000	79,614,000
	Property, Plant and Equipment — Net .....	\$ 284,389,000	174,262,000
	Long-Term Debt (Less Current Maturities) .....	\$ 68,119,000	32,466,000
	Deferred Income Taxes .....	\$ 47,965,000	31,974,000
	Minority Interest .....	\$ 12,773,000	316,000
	Capital Stock .....	\$ 133,632,000	133,573,000
	Retained Earnings .....	\$ 63,611,000	54,167,000
<b>Exploration and Development</b>	Exploration Expenditures .....	\$ 31,445,000	17,720,000
	Development Expenditures .....	\$ 3,745,000	3,478,000
	Gross Exploration Acreage .....	43,247,000	27,651,000
	Net Exploration Acreage .....	11,797,000	7,340,000
<b>Drilling Activity</b>	Gross Working Interest Wells Drilled .....	107	72
	Net Oil Wells .....	4	4
	Net Gas Wells .....	9	2
	Net Dry Wells .....	25	17
	(Excludes wells drilled by others under farmout agreements)		
<b>Proven Developed Reserves</b>	Crude Oil and Natural Gas Liquids — barrels .....	166,593,000	155,701,000
	Natural Gas — thousand cubic feet .....	810,822,000	726,228,000
	Sulphur — long tons (*not available) .....	2,154,300	1,662,900
<b>Production and Pipeline Operations</b>	Crude Oil and Natural Gas Liquids Production — barrels per day .....	37,803	36,030
	Natural Gas Sales — thousand cubic feet per day .....	119,523	121,495
	Sulphur Sales — long tons .....	54,886	48,884
	Cremona Pipe Line Division		
	Daily Average Gatherings — barrels .....	46,517	45,817
	Federated Pipe Lines Ltd. — (50% owned)		
	Daily Average Gatherings — barrels .....	314,524	330,420
<b>Shares and Dividends</b>	Dividends Declared Per Class A Share .....	\$ .50	.50
	Dividends Declared Per Class B Share .....	\$ .50	.50
	Number of Shares Outstanding — end of year .....	8,144,000	8,142,000
	Number of Shareholders .....	11,200	11,100

NOTES: (1) Financial and operating results of Scurry-Rainbow Oil Limited are included from June 1, 1974.

(2) Earnings per share are calculated on the basis of average number of shares outstanding during the year.

(3) Above data incorporates retroactive adjustments.



1972	1971	1970	1969	1968	1967	1966	1965
9,933,000	34,252,000	30,008,000	27,709,000	25,272,000	24,092,000	23,410,000	22,075,000
7,090,000	4,664,000	4,057,000	5,003,000	4,320,000	4,715,000	5,331,000	5,495,000
.96	.65	.58	.73	.81	.93	1.07	1.12
2,198,000	838,000	1,390,000	(466,000)	6,343,000	403,000	—	516,000
.30	.12	.20	(.07)	1.18	.08	—	.11
4,626,000	(21,782,000)	(28,044,000)	(18,722,000)	(42,095,000)	(3,292,000)	5,018,000	(6,680,000)
1,452,000	76,949,000	79,692,000	103,861,000	93,987,000	64,814,000	52,670,000	50,590,000
7,436,000	171,057,000	164,395,000	154,230,000	120,455,000	106,572,000	101,175,000	91,978,000
6,897,000	55,760,000	59,779,000	89,009,000	64,092,000	90,333,000	86,624,000	69,941,000
8,320,000	27,575,000	25,545,000	23,086,000	20,801,000	18,415,000	16,309,000	14,269,000
347,000	314,000	260,000	234,000	220,000	237,000	256,000	265,000
4,506,000	104,377,000	94,919,000	93,732,000	54,758,000	35,092,000	34,352,000	32,962,000
3,825,000	38,227,000	36,331,000	34,401,000	33,366,000	25,578,000	22,939,000	20,069,000
0,272,000	9,194,000	14,525,000	31,564,000	15,282,000	6,597,000	6,387,000	5,296,000
5,254,000	4,265,000	3,253,000	3,887,000	1,621,000	2,434,000	4,032,000	2,876,000
1,618,000	10,294,000	9,334,000	9,176,000	8,319,000	6,872,000	6,236,000	5,762,000
5,797,000	4,566,000	4,852,000	4,577,000	4,640,000	3,701,000	3,118,000	2,382,000
32	54	14	38	39	49	54	78
2	4	0	1	0	8	3	11
1	5	2	4	4	3	6	3
7	12	4	11	15	13	11	21
7,967,000	177,878,000	184,122,000	184,375,000	186,016,000	180,980,000	180,522,000	181,484,000
7,701,000	851,835,000	958,903,000	963,368,000	937,625,000	981,855,000	998,147,000	804,286,000
1,712,700	1,724,600	1,765,600	1,730,100	1,775,900	1,945,300	1,499,300	*
29,385	24,997	21,737	19,759	18,629	16,755	15,678	14,987
115,162	106,603	95,799	78,242	72,779	67,274	63,015	68,624
48,531	54,743	47,333	38,333	45,815	50,614	24,410	17,655
43,411	38,854	39,670	38,267	39,268	37,193	36,265	36,348
258,907	211,701	184,175	160,408	156,001	140,235	128,462	110,719
.50	.50	.50	.50	.50	.50	.50	.50
.50	.50	.50	.50	.50	.50	.50	.50
7,364,000	7,358,000	7,065,000	7,002,000	6,102,000	5,091,000	5,046,000	4,936,000
11,100	12,300	15,300	12,600	13,200	13,000	13,700	13,900

## Officers

### A. G. S. GRIFFIN

Chairman of the Board

### R. F. PHILLIPS

President and Chief Executive Officer

### M. P. PAULSON

Executive Vice-President and General Manager

### R. B. COLEMAN

Senior Vice-President, Secretary and General Counsel

### J. P. CRONE

Vice-President, International Operations

### I. M. DRUM

Vice-President, Special Projects

### F. C. FINN

Vice-President, Mining

### J. H. GEDDES

Vice-President

### R. E. HUMPHREYS

Vice-President, Exploration

### W. D. LUNDBERG

Vice-President, Producing Operations

### B. B. ROMBOUGH

Vice-President, Finance

### W. T. WILKINSON

Vice-President

### D. E. DEAKIN

Treasurer

### B. F. MacNEILL

Comptroller

### C. B. CLARK

Assistant Treasurer

### F. G. MITCHELL

Assistant Secretary

## Auditors

Riddell, Stead & Co.

## Solicitors

Macleod Dixon  
Calgary, Alberta  
Dunnington, Bartholow & Miller  
New York, New York

## Transfer Agents

Crown Trust Company  
The Chase Manhattan Bank

## Listings

Toronto Stock Exchange  
Vancouver Stock Exchange  
Alberta Stock Exchange  
Montreal Stock Exchange  
American Stock Exchange  
Pacific Coast Stock Exchange

## Active Subsidiary Companies

Scurry-Rainbow Oil Limited  
Scurry-Rainbow Oil (Sask) Ltd.  
Home Petroleum Corporation  
Home Oil (U.K.) Limited  
Home Oil Malta Limited  
Home Oil Italiana S.p.A.  
Oman Home Oil Limited  
Foothills Oil and Gas Company, Limited  
United Oils, Limited

## 50% Owned Companies

Federated Pipe Lines Ltd.  
Crownco Holdings Limited  
North Sea Services of Alberta Ltd.

## Head Office

304 Sixth Avenue S.W.  
Calgary, Alberta  
T2P 0R4  
Telephone (403) 266-7041

## United States Offices

Home Petroleum Corporation  
Marketing and Corporate Divisions  
P. O. Box 1649  
1000 Mid Continent Building  
409 South Boston  
Tulsa, Oklahoma 74101  
Telephone (918) 584-4151  
Exploration Division  
One Allen Center Building,  
Suite 1900,  
Houston, Texas 77002  
Telephone (713) 237-1261

## United Kingdom Office

4/5 Grosvenor Place  
London, SW1X 7 JQ  
Telephone 01-235-9831



## DIRECTORS

### \*ANTHONY G. S. GRIFFIN (*Toronto, Ontario*)

Chairman of the Board of Triarch Corporation Limited, Financial Consultants.

Chairman of the Boards of the Company, The Commercial Life Assurance Company of Canada, The Halifax Insurance Company.

Director: The Consumers' Gas Company, Canadian Industries Limited, ICI Americas Inc., Jonlab Investments Limited, Raymond International Inc., United Dominions Corporation (Canada) Limited, Victoria & Grey Trust Company, National Film Board.

### GEORGE W. CARPENTER (*Toronto, Ontario*)

Executive Vice-President and Director of The Consumers' Gas Company.

### MARSH A. COOPER (*Toronto, Ontario*)

President and Managing Director of Falconbridge Nickel Mines Limited.

Chairman of the Board of McIntyre Porcupine Mines Limited.

Director: Abitibi Paper Company Ltd., Crown Life Insurance Company, Canadian Imperial Bank of Commerce, Texas Eastern Transmission Corporation, Burns Foods Limited, Superior Oil Company.

Governor of Laurentian University, Sudbury.

### PERCY M. FOX (*Bermuda*)

Chairman of the Board of the Great Lakes Paper Company, Limited.

Director: The Royal Trust Company.

### \*J. DOUGLAS GIBSON, O.B.E. (*Toronto, Ontario*)

Chairman of the Board of The Consumers' Gas Company.

Chairman of the Boards of Canadian Reinsurance and Canadian Reassurance Companies, Eddy Match Company Limited.

Director: The Imperial Life Assurance Company of Canada, National Trust Company Limited, Harding Carpets Limited, Steel Company of Canada Limited, Bell Canada, Moore Corporation Limited, Northern Electric Company, Limited.

Chairman of the Board of Trustees, Queen's University.

### \*†THE HON. HARRY W. HAYS, P.C. (*Calgary, Alberta*)

Rancher.

Member of the Senate of Canada.

Director: Canada Permanent Companies.

### JAMES INNES (*London, England*)

Investment Consultant, Hedderwick, Stirling, Grumbar and Co.

Chairman of the University Life Assurance Society.

### WILLIAM F. JAMES, Ph.D. (*Toronto, Ontario*)

Partner of James & Buffam, Consulting Geologists.

Vice-President and Director of Alminex Limited.

Director: Falconbridge Nickel Mines Limited, Dome Mines Limited, The Granby Mining Company, Limited, Giant Yellowknife Mines Limited, Northgate Exploration Limited, Campbell Red Lake Mines Limited.

### \*†HENRY E. LANGFORD, Q.C. (*Toronto, Ontario*)

Corporate Director.

Director: The Consumers' Gas Company, The Dominion of Canada General Insurance Company, Victoria & Grey Trust Company, The Empire Life Insurance Company, Casualty Insurance Company, Ontario Hospital Association.

Chairman, CARE of Canada.

### \*JOSEPH C. MCCARTHY (*Toronto, Ontario*)

President and Chief Executive Officer and Director of The Consumers' Gas Company.

Chairman of the Board of Cygnus Corporation Limited.

Director: The Toronto-Dominion Bank.

### THE RT. HON. LORD McFADZEAN (*London, Eng.*)

Deputy Chairman of the Midland Bank Limited, London, England.

Deputy Chairman: The Canada Life Assurance Company of Great Britain Limited, National Nuclear Corporation Ltd.

Honorary Life President, British Insulated Callender's Cables Limited.

Director: The Canada Life Assurance Company.

### MAURICE P. PAULSON (*Calgary, Alberta*)

Executive Vice-President and General Manager of the Company.

### \*ROSS F. PHILLIPS (*Calgary, Alberta*)

President and Chief Executive Officer of the Company.

Director: The Consumers' Gas Company.

### HARRY I. PRICE (*Toronto, Ontario*)

Chairman of the Executive Committee and Director of Burns Foods Limited.

### RENAULT ST-LAURENT, Q.C. (*Quebec City, Que.*)

Partner of St-Laurent, Monast, Walters & Vallières, Solicitors.

Director: Anglo Canadian Pulp and Paper Mills Limited, Banque Canadienne Nationale, Canadian Breweries Limited, The Imperial Life Assurance Company of Canada, Scott Paper Limited, Gaz du Quebec Inc., Rothmans of Pall Mall Canada Limited, I.A.C. Limited, Sovereign General Insurance Company.

### †WILLIAM H. ZIMMERMAN, Q.C. (*Toronto, Ontario*)

Counsel, Aird, Zimmerman & Berlis, Barristers and Solicitors.

Chairman of the Board of Scythes & Co. Ltd.

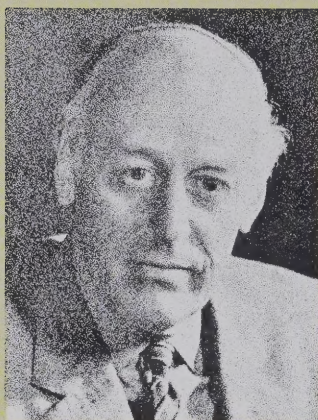
Vice-Chairman of the Board of Eaton Commonwealth and Eaton Regent Group of Funds.

Director: The Consumers' Gas Company, The Becker Milk Company Limited.

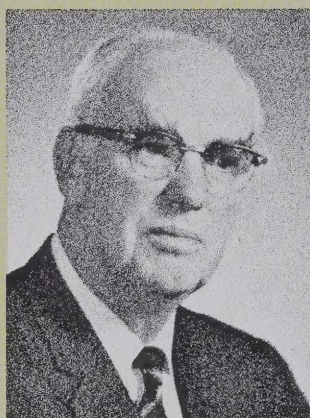
\*Member Executive Committee.

†Member Audit Committee.

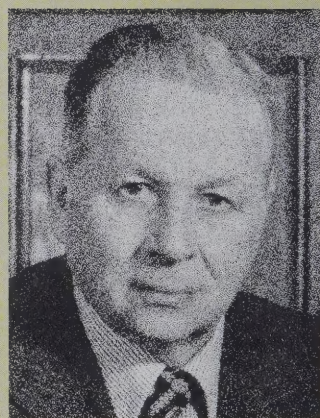




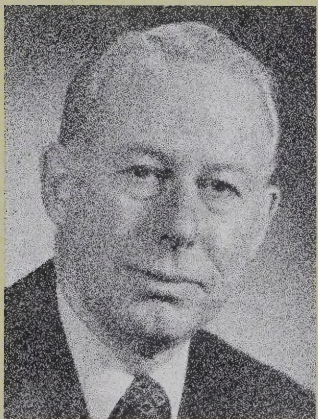
ANTHONY G. S. GRIFFIN



J. DOUGLAS GIBSON, O.B.E.



GEORGE W. CARPENTER



ROSS F. PHILLIPS



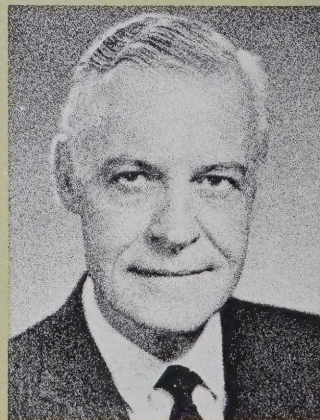
HENRY E. LANGFORD, Q.C.



WILLIAM H. ZIMMERMAN, Q.C.

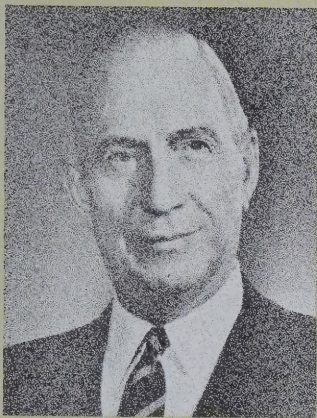


MAURICE P. PAULSON



RENAULT ST-LAURENT, Q.C.





HARRY I. PRICE



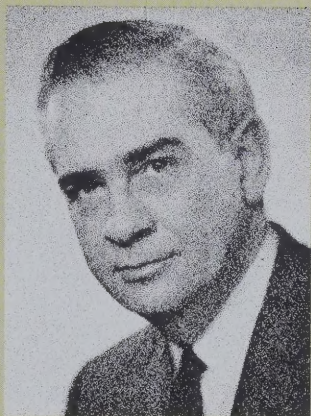
JAMES INNES



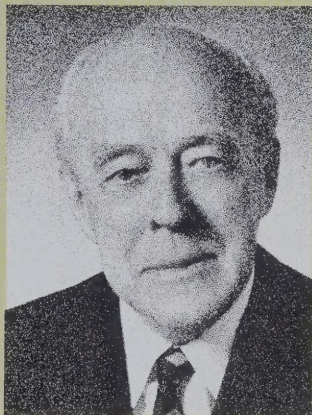
MARSH A. COOPER



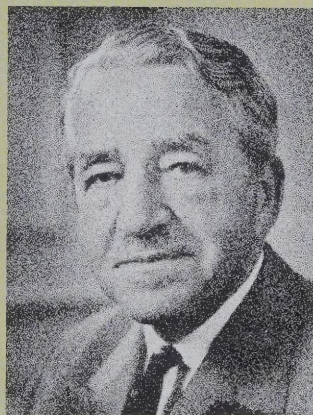
WILLIAM F. JAMES, Ph.D.



JOSEPH C. McCARTHY



PERCY M. FOX



THE RT. HON.  
LORD McFADZEAN



THE HON.  
HARRY W. HAYS, P.C.



